

Crisis Sets Asian Middle Class Adrift

By Mary Jordan
Washington Post Service

SEOUL — The ambulances, the lawyers and the guards warning one day this summer. They loaded patients onto gurneys and carted them all away, including a semi-conscious little boy who had lain curled and silent in room 3B since his birth nine years ago.

They chained down equipment and locked cabinets and doors. They took away medicine and machines and all the things that had saved lives there, until the economic collapse in South Korea made saving lives too expensive.

When the hospital went bankrupt, all that was left behind was the disbelieving staff: more than 200 nurses and pharmacists and medical aides who had stuck by their patients and their hospital long after their paychecks stopped coming. They were owed an average of \$7,000 each in back wages, and when the owner tried to throw them into the street, they simply sat down, too stunned to move and too scared to face life without a job.

This is what the Asian economic crisis has brought to South Korea. Nearly 100 times a day somewhere in this country, someone's dream — a tennis shoe factory, a corner grocery store, a giant automaker, a promising fashion house, even a hospital — is crushed under the weight of the economic collapse. Unpaid bills are piled too high, the "closed" sign is posted, workers are dumped and the economy slips a little lower.

From the tropical islands of Indonesia to the mountains of Thailand to the factories of South Korea, East Asia's amazing rush to affluence in the last 25 years made life better, safer, more comfortable and more hopeful. But the growth went haywire — and the abrupt crash has shattered the lives of tens of millions of people.

"Every aspect of my life has changed," said Yoon Sung Mook, 32, an X-ray technician who has not seen a paycheck since February and who began sleeping in the hospital lobby when it shut down. "Just about everything is gone, even my friends. I avoid them. It is too embarrassing to go out with an empty wallet."

The emergence of a broadening middle class is evaporating. Millions of newly comfortable people who had decent jobs and good living conditions, who were better educated and living longer than their parents, are slipping

back into worse conditions. Hunger and malnutrition are rising, more and more children are dropping out of school, and child labor is increasing as Asia's miracle dissolves into misery. And those who already were poor are suffering even more.

Relentless waves of bankruptcies and unemployment are battering the region. In Indonesia, there were about 5 million people unemployed last summer. By the end of this year, that number is expected to reach 20 million. Another 1 million have lost jobs in South Korea this year, and 2,000 people a day are losing jobs in Thailand.

Western investors often view the Asian financial crisis in terms of how big a threat it is to the financial markets. But in Asia, the crisis is wrecking what many lives that the focus is not on investment returns but on what some are calling a "class plunge."

"I can't even eat what I want to eat," said Chang Sook Hee, a nurse, as she recalled weekends and fun and how life used to be. Most of the summer, she, too, slept in the dimly lit lobby of the hospital, surrounded by her colleagues — people with college and professional school degrees who used to enjoy expensive vacations but now cannot afford to eat meat or go to the movies.

Until this year, Mrs. Chang had just about everything she wanted, except time. She had two children and a job she adored; she was proud to be elected a union chief. But now her allegiance to her union and her family has created tension. "I have no expectation that it will get better anytime soon," she said.

"I can't even imagine buying clothes for myself. I can't buy gifts for my parents' or my kids' birthday," said Mrs. Chang, 32. When she and the others talk about maybe someday getting the money to eat out, it is no longer about sipping chardonnay at a restaurant with tablecloths — it is more like Chicken McNuggets.

The East Asian middle class is diverse: In poor Indonesia or the villages of Thailand, a successful middle-class person might be defined as one with glass in his windows and cows in his field; in the richer nations of South Korea and Singapore, the middle-class wage-earner drives a reliable car and travels abroad. But the crisis unites them in loss: Whatever these people had, they suddenly have a lot less of it.

In Chiang Mai in northern Thailand, Somjit Klangjai

First of three articles

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Chill Wind in U.S. for Clinton

Sharper Mood Raises Doubts About Ability to Govern



The Clintons being welcomed by Buddy as they returned to the White House.

By John F. Harris
and Peter Baker
Washington Post Service

WASHINGTON — Facing the prospect that his presidency may be permanently disabled, President Bill Clinton returned from Ireland over the weekend to a Washington environment dramatically different than the one he left for three weeks of vacation and foreign travel.

With his political support eroding, Mr. Clinton enters a crucial fall election season needing to prove that he can still govern effectively, and not simply go through the motions as a grievously wounded leader.

Some advisers, both in the administration and outside, have begun to question whether he can maintain his faded ability to "compartmentalize" his life, insulating political troubles from his policy agenda.

People who have talked with Mr. Clinton in recent days or spoken with senior aides about how he is holding up said he seemed rattled by the fallout from his nationally broadcast confession on Aug. 17 of a relationship with Monica Lewinsky, the former White House intern, and the damage he caused himself by his indiscretion and the deceitful way he responded to the controversy.

"His mood is as deeply sad as I've seen him," said an adviser who described Mr. Clinton as "quite disoriented" and "very stricken" by events of the last weeks.

The drumbeat of bad news continued for Mr. Clinton on Sunday. Representative James Moran, Democrat of Virginia, said Mr. Clinton was "bound" to face impeachment proceedings for having lied. "The president would be fortunate actually if there was a censure resolution," Mr. Moran said on "Fox News Sunday."

Appearing on the ABC News program "This Week," Senator Daniel Patrick Moynihan, Democrat of New York, was asked whether Mr. Clinton's comment in Ireland last week that he was "very sorry" for his actions was adequate. "Well, no," Mr. Moynihan said. "What we have before us, and we ought to get on with it, is an impeachment procedure."

Senator Joseph Lieberman, Democrat of Connecticut, whose attack Thursday on the president for "immoral" behavior opened the gates for criticism from Democratic politicians, said Sunday that he made his comments because he "felt that some of my fellow Democrats who were saying: 'Let's change the subject. Let's get back on message. Let's talk about managed care reform and campaign finance reform and education reform,' were not being realistic."

Speaking on the NBC News program "Meet the Press," Mr. Lieberman said: "There's no way for us and the president to get back to face the problems of the country — the uncertainty economically, the problems in the world — unless we open up the discussion of the president's misconduct, try to deal with it, hope that he can repair his presidency, rebuild the American people's trust in him, and then move on."

But asked if Mr. Clinton could "reclaim" his moral authority, the senator said: "Yes, he can."

"He has some work to do," Mr. Lieberman said. "He began it admirably with his statement of apology in Ireland. My highest hope is that President Clinton is able to repair the damage and go on and end his presidency in two-and-a-half years honorably and effectively."

At times on his trip abroad, Mr. Clinton had the appearance of a haunted man — his face drawn, his voice subdued, his eyes weighted by bags.

While there had been some doubt at first whether Mr. Clinton understood the peril he was in or the degree to which he caused his own troubles, the adviser said that "this has registered."

Mr. Clinton's despondency has been exacerbated by the fact, the adviser said, that "Hillary has not forgiven him."

• The White House braces for a report from Kenneth Starr that could be sexually explicit. Page 3.
• Representative Dan Burton, a critic of Clinton, acknowledges a sex horn out of wedlock. Page 3.

North Korea Elects Kim, Dead in '94, as President

Late Father's Title Lets Son Rule as Head of Defense

By Nicholas D. Kristof
New York Times Service

TOKYO — North Korea announced Sunday that it had revised its constitution to make its late "Great Leader," Kim Il Sung, its "eternal president."

Adjusting to the inconvenience of having a president who died four years ago and is thus unable to make policy speeches, the Supreme People's Assembly listened soberly to a tape recording of an address President Kim delivered in 1990.

The upshot of the announcement is that, as expected, President Kim's son Kim Jong Il — the country's longtime "Dear Leader" — will be head of state, based on his position as chairman of the National Defense Commission.

It is not clear how much it will matter that North Korea does not have a living president, for it has already managed with a vacant presidency in the four years since Kim Il Sung died.

There is no doubt that Kim Jong Il controls North Korea firmly and that he could have had the presidency if he had wanted it.

But specialists cite two reasons why he may have preferred to let his late father retain the post.

The first is simply to show respect and piety to the man who founded North Korea half a century ago and ruled it virtually as a god. Though he was often condemned in the West as a dictator, Kim Il Sung seems to have been genuinely revered by many North Koreans, as even defectors usually acknowledge.

"Kim Jong Il needs his father, needs to wear his father's jacket," said Han Park, a scholar of North Korea at the University of Georgia. Mr. Park said that in time Kim Jong Il may gradually emerge and rule more openly on his own.

The second reason why Mr. Kim may have been reluctant to take on the pres-



Kim Jong Il, showing his credentials during the legislative voting.

See KOREA, Page 8

Tehran Threatens Taleban Over Missing Diplomats

Iranian Troop Buildup Highlights Islamic Divide

By Douglas Jehl
New York Times Service

CAIRO — With tens of thousands of Iranian troops deployed in a threatening buildup along the Afghan border, the prospect of a clash between Iran and the Taleban forces of Afghanistan has drawn attention to the hostility between two of the world's most conservative Islamic regimes.

In the West, the Shiite Muslim clerics who rule Iran and the Sunni Muslim Taleban militants who now rule most of Afghanistan may appear indistinguishable, united by religious fervor and a shared belief in an Islamic state.

But in fact, they represent two wings of a great Islamic divide, and as Taleban has consolidated its hold on power, imposing a strict vision of Islam across Afghanistan, Iranian leaders have responded with contempt and dismay.

They have accused Taleban — whose restrictions, particularly on women, are far more rigid than those enforced in Iran — of giving Islam a bad name. They have provided support to the rival militia that is Taleban's sole remaining foe. And now, after the disappearance of scores of Iranians, including at least 10 diplomats, who were caught up in the fighting in Afghanistan last month, Iran has raised the prospect of military action against Taleban unless reports that the diplomats have been killed can be quickly resolved.

A commentary on Iranian radio Saturday said Iran had the right "to take all necessary action" against the Taleban movement under an article of the United Nations charter that guarantees a right to self-defense. That prompted a harsh reply from Taleban leaders, who were quoted Sunday as saying that their followers were prepared to spill blood to fend off any incursion.

In interviews Sunday, Arab diplomats and other specialists said they thought it unlikely that Iran intended to mount a full-scale invasion. They said the Iranian buildup, which began last week with military exercises that included about 70,000 troops, was almost certainly intended as a show of force.

Having suffered through a long war with one neighbor, Iraq, from 1980-88, they said, Iran probably had little appetite for becoming involved in what could be another protracted conflict.

That assessment appeared to be strengthened by comments from Iran's supreme leader, Ayatollah Ali Khamenei, published Sunday. He was reported to have told students Thursday that there would be "no confrontation with Taleban."

But the diplomats and specialists said that deep public anger in Iran over the fate of the diplomats made any prediction risky. And they said that one

On Rocky Shore, Farewells to Victims of Flight 111

By Steven Pearlstein
Washington Post Service

PEGGY'S COVE, Nova Scotia — On an achingly beautiful late summer day, this rocky coastal village was transformed over the weekend into a granite chapel as a procession of mourners came to bid a final farewell to friends and relatives who perished when Swissair Flight 111 crashed into the sea here.

Many carried wreaths or elaborate bouquets to throw onto the troubled

waters or to place against the simple red-and-white lighthouse meant to bring travelers safely into St. Margaret's Bay.

Several of the groups bled small private services on the rock outcroppings, aided by clergy and psychologists who have been their constant companions in this most public of grieving processes.

"They are feeling anger, shock and disbelief," said Murielle Provost, head of the Red Cross team. Many had to be supported as they made their way out

to the lighthouse, and paramedics had to be called to assist several mourners.

"Being here today has been calming and comforting," said Claire Mortimer, a nurse from Berkeley, California, whose father and stepmother died aboard Flight 111 as they embarked on what had become a regular late summer trip to France.

Ms. Mortimer's father, John, and stepmother, Hanna, had spent summers along the Atlantic coast in the resort town of Ogunquit, Maine. John

See CRASH, Page 3

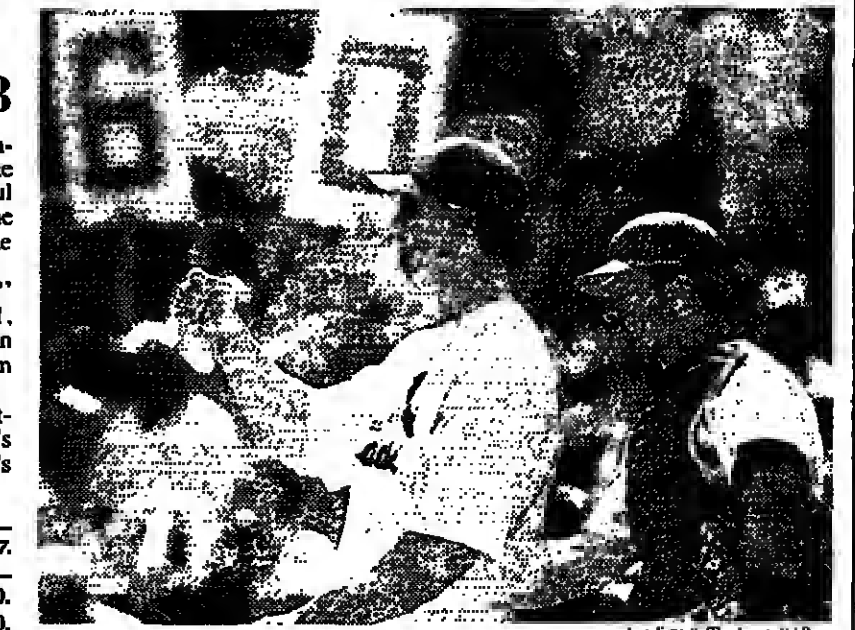
AGENDA

Akira Kurosawa, Director, Dies at 88

Akira Kurosawa, 88, who personified Japanese movies to most of the world and who was one of the handful of truly important directors that the cinema has produced, died of a stroke Sunday in Tokyo.

Mr. Kurosawa's "Rashomon" reached Western audiences in 1951, who little was known outside Japan about the country's cinema. The film changed that overnight.

He was a perfectionist with a painter's eye for composition, a dancer's sense of movement and a humanist's quiet sensibility. Page 10.



60 AND COUNTING — Mark McGwire cheering on his Cardinals after hitting home run 60, matching Babe Ruth. He needs one more to tie Roger Maris's record. Sammy Sosa reached No. 58. On Monday, McGwire and Sosa will duel in the flesh as the Cubs visit the Cards. Page 21.

'Too Big to Fail' Era Ends for Markets

By Carl Gewirtz
International Herald Tribune

PARIS — The rules of the investing game have changed, making an already risky world more risky.

The redefinition and revaluation of risk worldwide is why investors are so disoriented and why financial markets have become so vulnerable to turmoil as tradable assets — bonds, equities and currencies — come under new scrutiny.

"Too big to fail" — the golden rule guiding the central banks of the Group of Seven — is no longer the underlying principle of international finance.

For Russia, "too big" had been modified to "too dangerous." Its nuclear arsenal made it unthinkable that Western governments would allow mere financial problems to push the country to the abyss of internal chaos.

But without warning, in the midst of yet another financial crisis last month, the G-7 simply walked away from Russia and let the unthinkable happen. The impact is still being played out in bond markets, where interest rates remain uncommonly volatile in equity markets, where just the at-tile: in equity markets, where just the volatility of prices alone may cause damage, and in the currency markets, where the dollar suffers as a victim of the flight from risk.

In fact, the group of leading industrialized nations had stated its intention to change the "too big to fail" rule in 1996. After the rescue of U.S. mutual funds in the Mexican peso crisis of 1994-95, the G-7 announced that "investors must bear the consequences of

the decisions they make and should not expect the international community to rescue them when the next sovereign liquidity crisis comes to a head."

Since then, repeated bailouts of Russia appeared to belie the warning.

Events since the new policy was put into practice — the massive repricing of risk and unloading of risky investments and the disruptions these moves create — illuminate the extent to which greed has displaced bankerly caution under the misguided assumption that some players were too big to fail.

Moreover, it was not just the usual suspects — Citibank, Chase Manhattan Corp., Barclays PLC, Bankers Trust Corp., risky lenders as far back as the Third World debt crisis of the early 1980s. A heavy loser this time, for \$110 million, was Republic New York Corp., a AA-rated bank holding company noted for its low-risk profile.

None of the 10 banks that have so far admitted to losing a combined \$2 billion has explained how the money was lost.

There are three possibilities. The banks could simply be writing down to

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Korea	€ 84.180	U.S. Mil. (Eur)	€ 1.20
Kuwait	700 KD	Zimbabwe	2m.9400



'Minefield' for a Hashemite / Can the King's Brother Fill His Shoes?

Jordanians Look Uneasily Toward the Post-Hussein Era

By Douglas Jehl
New York Times Service

KERAK, Jordan — King Hussein has reigned for 45 years, more than twice as long as Ahmed Thneibat has been alive. But now the king is undergoing cancer treatment for the second time in six years, and Mr. Thneibat and other Jordanians are apprehensive about what is to come.

"Rest assured, I am not over and done with yet," King Hussein, 62, said in July in a televised address to his people from the Mayo Clinic in Rochester, Minnesota. But he also left the impression that he was determined to prepare the country for the prospect that he might not return, saying, "There is life and there is an end to life, and that is the way with everyone."

Few in Jordan doubt that power would pass to Crown Prince Hassan, the king's younger brother and closest adviser, who has been the designated heir to the throne for more than three decades. He has been regent in the king's absence, which is expected to last at least until November.

But many Jordanians and foreign observers say they wonder whether the king's brother could prove as successful as he has been in guiding Jordan through the kinds of storms that have been a main feature of the country's recent history.

"People are worried; they think there could be trouble," said Mr. Thneibat, 18, who like all but a minority in this close-knit country of 4 million has known no ruler but King Hussein, who took power in 1953 at age 17.

Kerak, a southern city crowned by a crusader fortress, has long been a base of support for the monarchy. But riots broke out here in 1996 over an increase in the price of bread, a reminder that loyalty has limits. Now the public mood is again turning volatile, a result of a crippling water crisis, severe economic problems and rising disillusionment over peace with Israel.

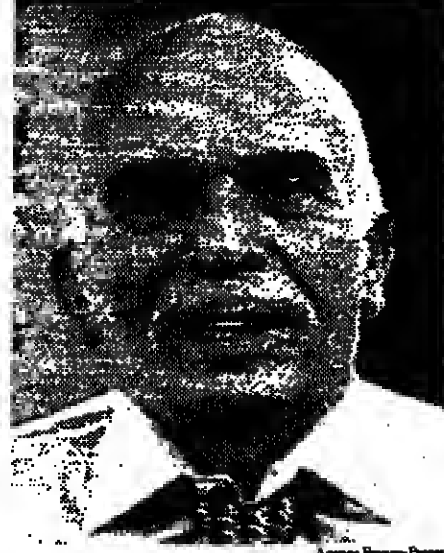
Over tea and bunnies in a café adorned with black-and-white portraits of the country's current and former kings, Mr. Thneibat spoke for many in saying he hoped that a King Hassan might prove more vigorous than his brother in addressing the economy. But as he and other Jordanians try to conceive of a new era, a bigger question may be whether the king's brother would inherit his capacity to chart his own course, even when it means forging ahead of public opinion.

"It's a minefield, and he doesn't have what it takes to cross it safely," said Labib Kamhawi, a prominent human rights campaigner. "He doesn't have the charisma the king had. He doesn't have the broad base of support. And he would take power at a time when the power of the



Jamil Nassir/Agence France Press

Crown Prince Hassan, the caretaker, left, has not publicly addressed the doubts about him. He shares King Hussein's commitment to peace with Israel but does not have his brother's charisma. The king, right, said in a televised address in July from the Mayo Clinic in Minnesota, where he is being treated for lymphoma, "Rest assured, I am not over and done with yet." But he also prepared Jordanians for the possibility that he would not return.



Agence France Press

Hashemite dynasty is at a very low ebb."

People close to Prince Hassan say he shares King Hussein's deep commitment to peace with Israel, though it has borne little fruit and has little domestic support. That assessment is shared by most foreign analysts, who say they are confident that the departure of King Hussein would not cause Jordan to back away from promoting a broader settlement of Arab-Israeli disputes.

But diplomats say that the next king may have less latitude to promote the peace, in part because hostility toward Israel has deepened among Jordanians, and in part because the prince has rarely displayed his brother's magnanimous style.

"There's still a great deal of uncertainty about the crown prince," a Western diplomat said. "He's not his brother. He doesn't have a common touch, and he gets his information from briefing papers whereas the king gets his information from the people."

PRINCE Hassan has declined interview requests during the king's illness and has played the role of caretaker, not addressing the doubts about him. But in what may have been an attempt to defuse some criticism, he convened an unusual meeting in late August that included leaders from all of Jordan's political parties, including Islamists who form the main opposition bloc.

At 51, Prince Hassan is nearly 12 years younger than the king, who will turn 63 on Nov. 14. He is described in an official biography as having "constantly served as King Hussein's closest political adviser, deputy and confidant, as well as regent in his absence."

He received a degree in Oriental studies from Christ Church College, Oxford University, and

he has worked tirelessly within Jordan to promote scientific study and better integration of the region's economy. He took part in the negotiations that led to the Jordanian-Israeli peace agreement, met with Benjamin Netanyahu before Mr. Netanyahu was elected Israeli prime minister, and has close ties to most Arab leaders.

Some of his admirers say that he could not have been expected to show more color as crown prince; his mission, they say, has been to stay in the background.

"He's been in the shadow of a very important historic figure, so it will be prudent to judge him only after he takes center stage," said Mustafa Hamameh, director of the Center for Strategic Studies at the University of Jordan. But in listing the qualities that have made King Hussein such a dominant figure, most other analysts give prominence to some that are not readily transferable.

"The majority of Jordanians would side with the king even if they think he is wrong," said Fahed Panek, an economist who is one of Jordan's most popular newspaper columnists. "Ninety percent of the population of Jordan was born after the king took power. They know that he was indispensable in leading the country to safety. So even if they think he was wrong, they give him the benefit of the doubt."

After renal cancer in 1992 and a prostate operation in 1997, King Hussein was found this summer to have lymphoma. A statement issued by the Mayo Clinic said that the disease was "highly treatable with chemotherapy," which the king began in July, but it also mentioned a need for plenty of rest.

So far, the king has displayed a vigorous public face, even piloting his jet to Washington after completing the first and second of six scheduled

rounds of chemotherapy. Now, two months into what is expected to be at least four months of treatment, Jordanian officials say that he consults daily by telephone with Prince Hassan.

IT WAS the king, Jordanian officials say, who assumed the leading role in orchestrating a change of government in August, replacing a team tarred by evidence that its mismanagement was to blame for a water crisis so severe that Saudi Arabia and Syria sent emergency stocks to Jordan.

And while recuperating at his residence in Washington, the king has met with the new government, led by Fayez Tarawneh, a former ambassador to the United States and foreign minister.

In the months ahead, Jordanian officials expect the country's affairs to be administered from Amman, Washington and the Mayo Clinic in Minnesota. But people familiar with the king's health say his resistance to disease has been weakened by the chemotherapy and that it was likely to diminish further as the treatment progressed.

Return Unlikely Until Therapy Ends

King Hussein is responding well to treatment but is likely to remain in the United States until the end of his chemotherapy, Reuters reported from Amman, quoting the prime minister.

Mr. Tarawneh said in an interview with the newspaper Al Aswaq that the treatment program "suggested the king would stay in America until the completion of all stages of treatment."

Jordan's ambassador to Washington, Marwan Muasher, told the official Jordan News Agency that the king left Washington on Wednesday to start his third round of chemotherapy at the Mayo Clinic. He said the king was in very good spirits.

Tanzanians Detain Pair of Suspects in Embassy Blast

By Michael Grunwald
Washington Post Service

WASHINGTON — Tanzanian investigators have arrested two suspects in the Aug. 7 bombing of the U.S. Embassy in Dar es Salaam, and the FBI has filed an arrest warrant seeking a third suspect in the nearly simultaneous bombing of the U.S. Embassy in Nairobi, according to law enforcement sources.

The three new suspects, like the two suspects already in U.S. custody in connection with the Nairobi attack, are all Islamic extremists with links to Osama bin Laden, a Saudi-born terrorist, the sources said. They added that prosecutors were already starting to form a strategy for a criminal case against Mr. bin Laden, and they said the far-flung FBI investigation was still gaining momentum nearly a month after the bombings that killed 263 people and wounded more than 5,500 others.

Sources said the new suspect in the Kenya bombing, a citizen of the tiny African archipelago of Comoros who had been living in Sudan, goes by the alias of Abdallah Mohammed Fadul. A sealed criminal complaint seeking his arrest has been filed in New York, and on Wednesday, FBI agents and the Comoran police raided homes belonging to his wife and his parents in the Comoran capital of Moroni, 288 kilometers (180 miles) off the east coast of Africa.

So far, Mr. Fadul has eluded capture, the sources said. But two suspects in the Kenya bombing, Mohammed Sadiq Odeh and Mohamed Rashed Daoud al Owahli, are in custody in New York. And investigators announced Friday that they had detained two suspects — one Tanzanian and one non-Tanzanian — and three informants in the Dar es Salaam blast, the first public breakthrough in that half of the case. Kenneth Pierniek, the top FBI official in Tanzania, said investigators there had made "extraordinary discoveries" and were now sure they knew who carried out the attack and how it was done.

Sources said the FBI was also looking for several additional suspects in the bombings, although so far it had sought a warrant only for Mr. Fadul. The bottom line, officials said, is that the FBI's largest overseas investigation in history is starting to unravel a wide-ranging conspiracy orchestrated by Mr. bin Laden.

"We've reached cruising altitude," an FBI official said. "We've answered a lot of basic questions, and we've made a lot of headway. Now we're branching out all over the world."

The arrest warrant for Mr. Fadul may shine an odd spotlight on the Federal Islamic Republic of the Comoros, one of the world's poorest countries, and one of its least stable. Tucked in the strait separating Mozambique and Madagascar, Comoros has endured 18 attempted coups since its independence from France in 1975, and it remains a hotbed of unrest.

But sources said that Comoran officials had already agreed to extradite Mr. Fadul to Kenya if he was found on the archipelago, and that Kenyan officials would then let the FBI take him to New York. It is not yet clear what will happen to the suspects detained in Tanzania.

More than two dozen FBI agents arrived in Comoros last week, and local police cordoned off large swaths of Moroni for raids Wednesday. While the FBI searched Mr. Fadul's family's houses for explosive residue and other evidence, the Comoran police detained his wife and brother for questioning, the sources said. African media reports have suggested that the terrorists might have smuggled their explosives through Comoros, and a source noted Friday that there was boat service linking Moroni to Mombasa, Kenya, where Mr. Odeh had lived since 1994.

The sources would not say what role Mr. Fadul or the suspects in Tanzania allegedly played in the bombings, but they were all believed to be members of al Qaeda, which State Department documents have described as the "operational hub" of Mr. bin Laden's terrorist network.

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TRAVEL UPDATE

U.S. Warns of Lesotho Risks

MASERU, Lesotho (AP) — As protesters moved onto the palace grounds of this small mountain kingdom, the U.S. Embassy warned American citizens to use caution.

An embassy official said Saturday the warning was issued after opposition activists had distributed a leaflet saying people in vehicles with foreign license plates would be viewed as their enemy.

Clashes between the police, soldiers and demonstrators on Thursday and Friday resulted in two deaths in which the circumstances were unclear.

Egypt again halted work on a highway running near the Great Pyramids at Giza until international archaeological experts can be consulted, Al Akhbar newspaper reported Sunday. (AP)

AirTran Airways and its flight attendants agreed tentatively on a four-year contract Saturday, ending a threatened walkout that could have grounded the Florida-based carrier during the busy Labor Day travel weekend. (AP)

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Bermuda, Brazil, Canada, Mozambique, Puerto Rico, United States, Virgin Islands.
TUESDAY: Ararat, Liechtenstein, Lithuania, Macedonia, Malta.
WEDNESDAY: Tajikistan.
THURSDAY: Belize, Gibraltar.
FRIDAY: Bahrain, Chile, Ethiopia, Pakistan, Saudi Arabia.
Sources: J.P. Morgan, Bloomberg, Reuters.

WEATHER

Europe				Forecast for Tuesday through Thursday, as provided by AccuWeather.				Asia			
City	Today	High	Low	City	Today	High	Low	City	Today	High	Low
Amsterdam	27/20	27	20	London	27/20	27	20	Beijing	27/20	27	20
Paris	27/20	27	20	Madrid	27/20	27	20	Tokyo	27/20	27	20
Rome	27/20	27	20	Barcelona	27/20	27	20	Seoul	27/20	27	20
Berlin	27/20	27	20	Frankfurt	27/20	27	20	Manila	27/20	27	20
Munich	27/20	27	20	Zurich	27/20	27	20	Hong Kong	27/20	27	20
Stockholm	27/20	27	20	Copenhagen	27/20	27	20	Singapore	27/20	27	20
Oslo	27/20	27	20	Helsinki	27/20	27	20	Bangkok	27/20	27	20
Norway	27/20	27	20	Stockholm	27/20	27	20	Yokohama	27/20	27	20
Sweden	27/20	27	20	Oslo	27/20	27	20	Guangzhou	27/20	27	20
Finland	27/20	27	20	Stockholm	27/20	27	20	Shanghai	27/20	27	20
Denmark	27/20	27	20	Copenhagen	27/20	27	20	Chengdu	27/20	27	20
Ireland	27/20	27	20	Dublin	27/20	27	20	Wuhan	27/20	27	20
Portugal	27/20	27	20	Lisbon	27/20	27	20	Chongqing	27/20	27	20
Spain	27/20	27	20	Madrid	27/20	27	20	Nanjing	27/20	27	20
France	27/20	27	20	Paris	27/20	27	20	Harbin	27/20	27	20
Germany	27/20	27	20	Berlin	27/20	27	20	Qingdao	27/20	27	20
Italy	27/20	27	20	Rome	27/20	27	20	Shenzhen	27/20	27	20
Japan	27/20	27	20	Tokyo	27/20	27	20	Guangzhou	27/20	27	20
South Korea	27/20	27	20	Seoul	27/20	27	20	Shanghai	27/20	27	20
China	27/20	27	20	Beijing	27/20	27	20	Chengdu	27/20	27	20
India	27/20	27	20	New Delhi	27/20	27	20	Wuhan	27/20	27	20
Pakistan	27/20	27	20	Islamabad	27/20	27	20	Nanjing	27/20	27	20
Bangladesh	27/20	27	20	Dhaka	27/20	27	20	Harbin	27/20	27	20
Sri Lanka	27/20	27	20	Colombo	27/20	27	20	Qingdao	27/20	27	20
Malaysia	27/20	27	20	Kuala Lumpur	27/20	27	20	Shenzhen	27/20	27	20
Thailand	27/20	27	20	Bangkok	27/20	27	20	Guangzhou	27/20	27	20
Vietnam	27/20	27	20	Hanoi	27/20	27	20	Shanghai	27/20	27	20
Laos	27/20	27	20	Vientiane	27/20	27	20	Chengdu	27/20	27	20
Myanmar	27/20	27	20	Nay Pyi Taw	27/20	27	20	Wuhan	27/20	27	20
Philippines	27/20	27	20	Manila	27/20	27	20	Nanjing	27/20	27	20
Indonesia	27/20	27	20	Jakarta	27/20	27	20	Harbin	27/20	27	20
Singapore	27/20	27	20	Singapore	27/20	27	20	Qingdao	27/20	27	20
Maldives	27/20	27	20	Malé	27/20	27	20	Shenzhen	27/20	27	20
Brunei	27/20	27	20	Bandar Seri Begawan	27/20	27	20	Guangzhou	27/20	27	20
Timor	27/20	27	20	Dili	27/20	27	20	Shanghai	27/20	27	20
East Timor	27/20	27	20	Dili	27/20	27	20	Chengdu	27/20	27	20
North America	27/20	27	20	Washington	27/20	27	20	Wuhan	27/20	27	20
South America	27/20	27	20	Buenos Aires	27/20	27	20	Nanjing	27/20	27	20
Africa	27/20	27	20	Cairo	27/20	27	20	Harbin	27/20	27	20
Oceania	27/20	27	20	Sydney	27/20	27	20	Qingdao	27/20	27	20

THE AMERICAS

White House Braces for a Sexually Explicit Report by Starr to Congress

By Susan Schmidt
Washington Post Service

WASHINGTON — The White House is bracing for a punishing report to Congress from Kenneth Starr, the independent counsel, that some of President Bill Clinton's advisers have now concluded will be more sexually explicit, and possibly more politically damaging, as a result of his grand jury testimony last month.

At least six of Mr. Starr's prosecutors have been rushing to write a 300-plus-page report on possible impeachable offenses arising from the Monica Lewinsky investigation, knowledgeable sources said. Mr. Starr is expected to be ready to send it to Congress in the next several weeks.

Some White House aides and outside advisers to the president said privately in recent days that they were more con-

cerned than ever about what Mr. Starr would include in his report because of Mr. Clinton's Aug. 17 grand jury testimony and his televised speech that evening. They worry that the president handed Mr. Starr one ammunition for perjury allegations — and grounds to include rambling details about his sexual encounters with Ms. Lewinsky — by claiming that his earlier testimony denying "sexual relations" with Ms. Lewinsky was "legally accurate."

As Mr. Clinton returned to Washington after almost three weeks out of town, the impending delivery of Mr. Starr's report to the election-year Congress is all but certain to dominate the White House's agenda. Some of his advisers are convinced that Mr. Starr will now see fit to spell out not only the times and places of the sexual encounters but also explicit details in order to charge that the president knowingly lied

in his Jan. 17 deposition in the Paula Jones lawsuit and that he engaged in acts that were covered even by his own interpretation of the Jones case's definition of sexual relations.

"The report is going to be blistering," said an adviser trying to prepare a defense strategy for Mr. Clinton. "It's going to connect every dot and draw every negative inference. It's going to say his actions have tarnished not only him but his office."

Another adviser, predicting a "devastating" report, called Mr. Clinton's decision to deny that he lied in the Jones case "magic." This adviser and several others faulted the president and his personal lawyer, David Kendall, for a legal strategy that they said oozed all but required Mr. Starr to detail sex acts in or near the Oval Office.

But people who agree with Mr. Kendall's approach said Mr. Clinton's tor-

ture definition of sexual relations was a necessary defense against the serious accusation of perjury in the Jones case.

Some Clinton advisers privately have voiced concerns that details about unsavory and even odd sexual behavior could be included in the report, making the allegations against Mr. Clinton more difficult for Democrats to defend even as the White House prepares for battle over the interpretation of every fact.

But there are other presidential advisers who believe that Mr. Starr would only help their cause if he fills his report with lurid sexual details, arguing that such a move would ultimately create sympathy for the president. Already, the White House is trying to make the case that Mr. Starr is motivated by vindictiveness and is trying to compensate for the lack of evidence of obstruction of justice by titillating the public.

Mr. Clinton told the grand jury that he

had an inappropriate physical relationship with Ms. Lewinsky but, without providing an explanation, said that his Jan. 17 deposition denying "sexual relations" — and saying he could not recall them ever having been alone together — was not perjury.

Mr. Clinton was asked during his grand jury testimony whether he believed certain sex acts were covered by the Jones definition: Intercourse was covered, but oral sex was not, he said. But Mr. Clinton refused to answer questions about whether he engaged in any specific sex acts with Ms. Lewinsky.

Lawyers familiar with her testimony have said that Ms. Lewinsky told the grand jury that, in addition to oral sex, she and Mr. Clinton engaged in other sexual activities covered by the Jones definition, including touching and fondling.

About a half-dozen associate inde-

pends of the lengthy Starr report. People knowledgeable about the operation said that Mr. Starr, his deputies and other lawyers in the office are reviewing and editing the material. The report will include exculpatory and well as incriminating information, those sources said. Voluminous attachments, including transcripts of grand jury testimony and other evidence, will accompany the report.

The House, which will return from its summer recess this week, has yet to determine the procedure for the Judiciary Committee's inquiry when the report arrives later this month.

Mr. Starr is almost certain to limit his report to the Lewinsky investigation, sources said. His office considered but decided against including all investigative findings on other aspects of the four-year Starr investigation, though that material could be sent later if Congress requests it.



Dan Burton, Republican of Indiana. "Enough is enough," he said of reports on his private life.

Clinton Critic Admits to Having Illegitimate Son

By Edward Walsh
Washington Post Service

WASHINGTON — Representative Dan Burton of Indiana, one of President Bill Clinton's most persistent and combative critics, has acknowledged that he is the father of a child who was born out of wedlock.

In a written statement issued to The Indianapolis Star and News, Mr. Burton, chairman of the House Government Reform and Oversight Committee, said he was making the disclosure to end harassment of the child's mother and others by news organizations.

"There was a relationship many

years ago from which a child was born," Mr. Burton said in the statement. "I am the father. With my wife's knowledge, I have fulfilled my responsibilities as the father."

"I'm not going to talk any more about my personal life," the Indiana Republican added. "I've hurt some people that I love very much. Enough is enough."

The Indianapolis paper reported that Mr. Burton had the extramarital relationship and fathered the child in the early 1980s, when he was a member of the Indiana Senate and the woman worked for a state agency.

The newspaper said the woman, who is married, and her teenage son

live in central Indiana but did not disclose their names or exact location.

Mr. Burton's admission ended days of intense speculation. Earlier last week, the Indianapolis paper reported that Mr. Burton had been warning people in his district, which includes parts of Indianapolis and its northern suburbs, that Vanity Fair magazine was about to publish a "scandal story" about his personal life.

Mr. Burton is one of the most conservative Republicans in the House and, as chairman of the committee that has been investigating campaign finance abuses, one of Mr. Clinton's most dogged purs-

uers. In April he called the president "a scumbag" and said that was why he was "out to get" Mr. Clinton.

The disclosure comes as Mr. Burton and his House colleagues await a report from the independent counsel, Kenneth Starr, on Mr. Clinton's admitted sexual relationship with Monica Lewinsky, a former White House intern.

Some Republicans have warned that the White House planned a "scorched earth" defense, delving into the private lives of congressional Republicans as a way to shield Mr. Clinton from the consequences of the scandal. The White House has denied any such intention.

6 Minutes Before Crash, Last Word

Homing Device to One of Swissair Jet's Recorders Is Detected

By Matthew L. Wald
New York Times Service

HALIFAX, Nova Scotia — The crew of the Swissair jet that crashed here Wednesday night had stopped responding to air traffic controllers about six minutes before the plane, an MD-11 with 229 people on board, hit the water, investigators said.

The investigators also said that they had detected the homing device from one of the plane's "black boxes," either the cockpit voice recorder or the flight data recorder.

[Divers plunged into the frigid northern Atlantic at dawn Sunday searching for the flight data recorder, Reuters reported. Captain Phil Webster of the Canadian Navy said the Canadian submarine HMCS Okanagan had detected a transponder signal from one of the black boxes at a depth of 190 feet, or 58 meters.]

The chief investigator, Vic Ger-

den, said that shortly after the plane's last radio transmission, in which a crew member told a controller at the Moncton Area Control Center, "We have to land immediately," the plane's transponder stopped working. That piece of equipment transmits the plane's identity and altitude to controllers.

The plane, with 215 passengers and a crew of 14, plunged into the sea at 10:30 Wednesday night, about 40 miles (65 kilometers) from Halifax airport, killing everyone aboard.

The brief excerpts of the conversations between a controller in Moncton and the crew were made public here Saturday night. Someone on the plane, either the captain or the first officer, tells the controller, "We are declaring an emergency at time zero one two four."

The crew member added, "We are starting vent now. We have to land immediately."

Mr. Gerden, of Canada's Transportation Safety Board, said he was consulting with Swissair pilots and MD-11 experts about what "starting vent" meant. It could have meant depressurizing the airplane to allow the cockpit windows to be opened, or dumping fuel, which the crew had said it would have to do, Mr. Gerden said.

Asked why the transponder stopped working, he said that the failure might indicate "some electrical issue, potentially."

In response to a question about the tone of the crew members' voices, Mr. Gerden said that it had changed in the course of the 10 minutes, probably indicating that they had put on oxygen masks.

"He cites smoke, but we really don't know what density of smoke, what amount," Mr. Gerden said.

In a briefing that lasted more than an hour, Mr. Gerden gave a limited chronology of the last few minutes of the flight, beginning at a point about 70 nautical miles from Halifax.

The plane, under the control of the Moncton Center, radioed in: "Swissair 111, heavy is declaring panne-panne-panne." ("Panne" is the French word for breakdown.) "We have smoke in the cockpit, request deviate immediate right turn to a convenient place. I guess Boston." ("Heavy" refers to a large aircraft.)

Advised that the plane was 300 nautical miles from Boston, the crew readily agreed to go to Halifax, but when told that the airport was just 30 miles away, the pilot said: "We need more than 30 miles."

The controller then told the plane



Two relatives of victims of Swissair Flight 111 walking together along the rugged Atlantic shoreline near Peggy's Cove, Nova Scotia.

to turn left in order to lose altitude. Mr. Gerden said he would have experts analyze whether it was possible to drop from the 33,000-foot cruising altitude to the runway, which is not far above sea level, in the 30 miles remaining.

Another problem, he said, was weight. The aircraft at that point, about that time, had a weight of about 230 metric tons, he said. It could not land weighing more than 200 metric tons, he said.

CRASH: Relatives Bid Final Farewell

Continued from Page 1

wanted his family to celebrate his life while he was alive and that was more important than if we made it to his funeral or memorial service," his daughter recalled.

Another mourner was Tim Larson of East Hartford, Connecticut. "Most of us are now resigned that our loved ones are with God ... and now we're relieved that we're here," Mr. Larson said. His wife's uncle, the physicist Victor Rizza, 58, and Mr. Rizza's son Nino, 14,

were returning home to Sicily after five weeks in the United States.

Mr. Larson and the other 500 or so relatives had already been told what many had begun to suspect — that the force of the crash was so tremendous that there were no recognizable remains. Blood relatives of the passengers have been asked to donate small amounts of blood that can be used by DNA testers to identify the body parts that have washed ashore or been retrieved from the Atlantic. That process could take months to complete.

Israeli Court Orders American to U.S. For Murder Trial

The Associated Press

JERUSALEM — An Israeli judge ruled Sunday that Samuel Sheinbein, an American teenager wanted for murder in Maryland, should be extradited to the United States to stand trial.

Judge Moshe Raviv of the Jerusalem District Court said that although Mr. Sheinbein was "extraditable," the defense had 50 days to appeal the decision.

Judge Raviv ruled that even though he accepted Mr. Sheinbein's contention that he was citizen of Israel, the teenager had no right to stay in the country because he had not maintained close ties to it.

"The defendant can be extradited because under the extradition law a citizen is defined as someone who has the status of Israeli citizen and has a connection to the country," the judge wrote.

Mr. Sheinbein's lawyer, David Libai, said he would appeal the ruling to the Supreme Court within 30 days. During the appeal process, which lawyers and justice officials said could take months, Mr. Sheinbein would remain in Israel.

A U.S. Embassy spokesman, Larry Schwartz, said the United States welcomed the decision. Mr. Sheinbein, 18, fled to Israel on Sept. 21, 1997, two days after the mutilated body of Alfredo Tello Jr., 19, was discovered in the garage of an empty house near the Sheinbein home in Silver Spring, Maryland.

CLINTON: Chill Political Wind Buffets Clinton on Return to Washington

Continued from Page 1

A Clinton insider who talks with the president regularly compared his plight with the aftermath of the Republican sweep in the 1994 congressional elections. At that time, he became despondent, filled with doubts, not to mention suspicious and resentful of his staff, just as he apparently has bridled at their advice and criticism since his speech on the Lewinsky controversy.

"I think he's setting this course a lot more on his own," a former senior official said. By the end of the trip he seemed more upbeat, even managing a round of golf in Ireland on Saturday.

Beginning Monday, he will plunge into a robust schedule of events intended to promote his positions on education, health care, Social Security reform and the perilous state of the international economy.

Yet, Mr. Clinton's predicament will cause intense scrutiny of his performance on these matters. His visits to Russia, Northern Ireland and the Republic of Ireland last week demonstrated that it would be harder than ever to separate his problems from his policy — to put them "in a box," as he likes to say.

Unlike previous foreign missions this year that provided welcome respite from domestic problems, the Lewinsky matter hung over him at every stop.

A former high official who remains close to colleagues in the White House said he believed that Mr. Clinton had not been able to compartmentalize the Lewinsky scandal the way he could earlier controversies.

"Filegate, Travelgate, what did he know?" the former official said. "He always saw Whitewater as a political issue. He always had a psychological distance from his problems. This is closer to the bone."

Incumbent Cancels Event With President

By Charles Babington and Donald P. Baker
Washington Post Service

WASHINGTON — Governor Parris Glendening of Maryland has firmly distanced himself from President Bill Clinton, canceling a fund-raiser with the president that once promised to provide hundreds of thousands of dollars for the Democratic governor's tough re-election bid.

With private polls and analysts telling him that Mr. Clinton's appeal is sagging dramatically among some Maryland voters, Mr. Glendening offered his sharpest criticism yet of the president but declined to say whether Congress should censure him.

The blow stung, party officials said, because Maryland is a strongly Democratic state and Mr. Glendening had aligned himself closely with the president and defended him initially in the Monica Lewinsky scandal.

Mr. Glendening told reporters over the weekend that his campaign and the White House had "mutual dis-

cussions" that led to canceling plans for Mr. Clinton to be the host at a \$1,000-per-person fund-raiser for the governor at an undetermined site Oct. 2.

Glendening campaign insiders said they had difficulty selling tickets to the fund-raiser. They also feared the event could backfire on the governor if it coincided with arrival at Congress of the long-awaited report by the independent counsel, Kenneth Starr, which may include new allegations of presidential wrongdoing.

Mr. Clinton's "actions were wrong, inappropriate and demanding of a sincere, major apology," Mr. Glendening said Friday. "We have an 18-year-old son, and we try to teach him to be responsible for his actions, and you need models in terms of how to do that and this makes it even worse."

Mr. Glendening is not the only Democratic candidate suddenly wary of Mr. Clinton. Several prominent New York candidates recently urged the president to delay a Manhattan fund-raiser scheduled for Sept. 14, the night before the Democratic primary.

POLITICAL NOTES

House Panel Seeks Wide Powers

WASHINGTON — The House Judiciary Committee is asking for unprecedented powers exempting the panel from many long-standing House rules as it reviews President Bill Clinton's conduct in the Monica Lewinsky scandal, congressional sources said, a move opposed by Democrats and greeted warily by some Republicans.

As the two parties begin negotiating over how to handle the upcoming report by Kenneth Starr, the independent counsel, about possible impeachable offenses, Committee Republicans, the sources said, were requesting a broad mandate that could even allow the panel to cite witnesses for contempt without having to secure a vote of the full House to do so. But Democrats are already complaining about what one called "nearly unchecked powers," and some leading Republicans are also concerned. (WP)

More Testimony From Tripp

WASHINGTON — Linda Tripp, whose secret tape recordings launched the perjury and obstruction-of-justice probe of the president, has provided grand jury testimony about at least two other matters under investigation, according to court papers. These are the 1993 firings in the White House travel office and the White House acquisition of confidential FBI files on former Reagan and Bush administration employees. (WP)

Quote/Unquote

Carer Eskew, a Democratic political consultant, arguing that while voters were disgusted by adultery, they were also angered by people who dredge it up, and that therefore most political candidates would not risk airing opponents' sexual secrets: "In the end it's mutual assured destruction. So it won't happen." (NYT)

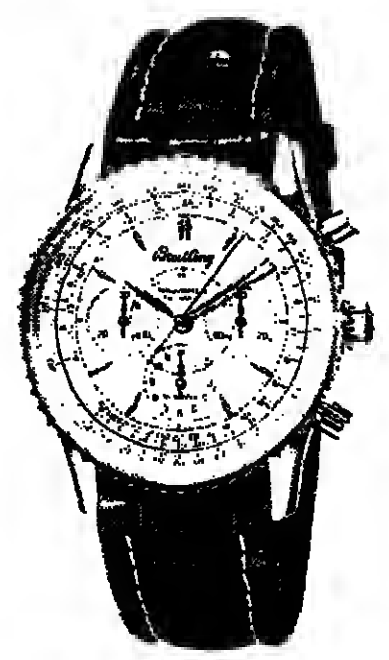
Away From Politics

• In an extraordinary turn of events in a murder case, Chicago prosecutors have dropped charges against two boys, aged 7 and 8, who had been accused of killing an 11-year-old girl by hitting her with rocks and suffocating her. The case was dismissed after laboratory analysis found semen on the girl's underwear. The boys were deemed too young to be the source. (NYT)

• The controversial Million Youth March in New York City ended in a melee as hundreds of police officers in riot gear rushed the rally's speaking platform when the event ran over its time period. The officers were pelted with chairs, bottles and metal barricades. (WP)

• With arrests over the weekend of two cruise ship employees as their vessel docked in Manhattan, law enforcement officials revealed the existence of a drug ring that used ocean liners to funnel cocaine, hashish and marijuana via New York City to Bermuda. (NYT)

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ASIA/PACIFIC

Malaysia Worries Over Mahathir's Succession

By Thomas Fuller
International Herald Tribune

KUALA LUMPUR — Until recently, Malaysian officials had a stock response to businessmen asking why they should invest here instead of in other countries in the region. They would say that unlike many of its neighbors, Malaysia was stable. The country had a clear successor to Prime Minister Mahathir bin Mohamad.

All that changed last week with the abrupt dismissal of Mr. Mahathir's deputy, Anwar Ibrahim, a man who had come so close to being the country's top politician that for two months last year while Mr. Mahathir was traveling outside the country Mr. Anwar was given the title of acting prime minister.

Now, not only is Malaysia without a clear successor to Mr. Mahathir, but the prime minister, 73, has said he will not choose a new deputy until a party election in the middle of next year. In the meantime Malaysia is facing its most serious economic crisis since independence from Britain 41 years ago.

Other countries in the region — notably Thailand, Indonesia and South Korea — have selected new leaders since the onset of the economic crisis. Allies of Mr. Mahathir — Asia's longest-serving leader — are now asking out loud whether he has taken too much time to handle by firing Mr. Anwar and personally taking over the Finance Ministry last week.

"My view is that whoever wants to be minister of finance — that's a full-time job," Daim Zaidin, a former finance minister and longtime friend of Mr. Mahathir's, told a group of foreign reporters Friday.

Dr. Mahathir will find that it is going to be very tough to be minister of finance, prime minister and minister of home affairs," he said, referring to the prime minister's current portfolio.

"Every decision made is going to affect the nation," he said of the job of finance minister. "One wrong move — that's it. The whole economy may go down."

Mr. Daim, who was brought into the cabinet in June as a minister of "special functions," is the country's

most successful businessman and is not believed to harbor larger political ambitions.

He said he felt "very tired" in his job planning strategies for combating the economic crisis, a post which Mr. Mahathir asked him to take.

Appointing a new finance minister is a difficult move for Mr. Mahathir because whoever is appointed to the powerful post may be perceived to be the prime minister's successor.

It's a decision, analysts say, that Mr. Mahathir may not be ready to make — partly because there are no obvious choices among the country's political leadership.

In the 17 years Mr. Mahathir has been at the helm, strong-willed politicians in Malaysia have either agreed with the prime minister's policies or been shown the door.

"In his private moments I think Dr. Mahathir feels very disappointed and sad," said a source close to the government who insisted on anonymity.

"He knows that time is limited for him. And the only person who could have taken over from him and got

respect is Anwar," the source added. In private conversations, politicians and analysts still wonder exactly why Mr. Anwar was fired.

He is under investigation by the police over allegations of campaign financing, sedition and sexual indiscretion. But Mr. Mahathir has refused to offer reasons for the firing, saying that the decision was made by the governing political party — uniting Malaysians into thinking that perhaps there was a yet unspoken reason for the move.

"We do not have to give any explanation over the matter," Mr. Mahathir said. "We find him not suitable — that is all."

The timing of the move against Mr. Anwar was also peculiar. It came as the country was preparing to host later this week thousands of athletes and spectators coming to Kuala Lumpur for the Commonwealth Games.

More importantly, Mr. Anwar's firing came two days after the country embarked on a radical experiment, banning the use of its currency outside its borders and fixing it at 3.8 to the dollar, thereby insulating its small, trade-dependent economy from the world's currency markets.

The new currency regime — closely watched by other countries hit by the economic crisis — will require constant adjustments and monitoring, central bank officials say. Yet Malaysia has no full-time finance minister and no central bank governor; Ahmad Mohamed Don, an ally of Mr. Anwar's, held the latter post before resigning in protest against the currency controls. His deputy left with him.

■ Brother Arrested, Anwar Says

Mr. Anwar said Sunday that Malaysian authorities had arrested his adopted brother in an apparent crackdown, and he vowed anew to begin a nationwide tour this week to plead for political reform, Reuters reported.

"I have some information that my adopted brother has been arrested and I think in one or two days' time my secretary, Azmin, will be arrested too," Mr. Anwar told a group of more than 1,000 supporters just outside his home. "They should take me away. Don't harass my staff, my supporters and my family."

Lament of Ethnic Chinese: 'Always the Scapegoats'

Poorer Members of the Jakarta Community, Unable to Emigrate, Live in Fear of New Riots

By Seth Mydans
New York Times Service

JAKARTA — More than three months after huge riots swept the city, the back lanes of Glodok, Jakarta's Chinatown, are still strewn with ash and bricks and bits of broken glass. Multistorey department stores are fire-blackened shells; small shops are rubble.

On an alleyway near a Buddhist temple, old men drink coffee and look over their shoulders when they talk.

"We are always the scapegoats," said a 50-year-old ethnic Chinese shopkeeper who lost his shop during the three days of rioting in May, the week before President Suharto stepped down. "People tell us to leave, but we have nowhere to go. We are Indonesian, but people here don't recognize us as Indonesian. So we have no country, no home and no guarantee of our future."

The shopkeeper, who said he was afraid to give his name to a reporter, said he had seen the anonymous pamphlets that have been circulating lately, warning of further attacks. He said he had also seen the small painted circles and triangles that have appeared on Chinese-owned shops and homes, ostensibly marking them for arson or looting.

"They are just trying to sow terror," he said.

But he said he was too poor to join the exodus of tens of thousands of ethnic Chinese who have fled the country, in several waves of panic, as rumors of new riots have swept Jakarta and other cities like Semarang, Surabaya and Solo.

Although the shopkeeper and others like him lack the means or connections to leave the country, many more prosperous members of the ethnic minority have found haven overseas.

At the same time, wealthier Chinese, who control many of its big businesses, are said to have transferred billions of dollars abroad, dealing a severe blow to Indonesia's prospects for economic recovery.

Although they make up little more than 3 percent of Indonesia's population of more

than 200 million, ethnic Chinese are the nation's trading class, from shopkeepers to billionaire managers of multinational conglomerates, and they control as much as 70 percent of Indonesia's private economy.

An angry backlash among overseas Chinese elsewhere in Asia could do long-term damage if this economically powerful group elects to take its business elsewhere.

In one of the most concerted political actions this loose-knit international community has ever taken in recent years, ethnic Chinese have staged protests in Hong Kong, Taiwan, the Philippines and the United States, as well as in China itself.

Their anger against Indonesia has been inflamed by reports that organized groups of rioters engaged not only in the burning and looting of Chinese-owned shops but also in the systematic humiliation and rape of ethnic Chinese women.

"Indonesia: Racist Capital of the World," read a banner at a recent demonstration in the Philippines.

Human rights groups and women's shelters here in the capital, Jakarta, have reported that more than 160 women and girls were raped in the rioting last May. They say 20 of these women died as the result of the assaults, some by suicide.

But their reports have been undermined by a failure to bring forward any victim who could give a firsthand account — and by what now appear to be slipshod methods of collecting data. Also, there may have been a disinformation campaign in the distribution of horrifying but inauthentic photographs of purported victims.

Although human rights investigators stand by their accounts, saying the victims were too traumatized to talk publicly, these lapses have opened room for doubt.

Women's Affairs Minister Tutty Alawiah, one of the leaders of a government investigation into the reported rapes, said, "The team has been conducting an investigation for one-and-a-half months now but has found no woman who fell victim to gang rape or who claimed to have been raped during the May riots."

A North Korean Claim Gains Validity

By Steven Lee Myers
New York Times Service

WASHINGTON — The United States now believes it is possible that North Korea succeeded in putting a satellite into orbit when it fired a multistage rocket over Japan a week ago, officials said over the weekend, restating from their initial assessment that the launch was a missile test alone.

The trajectory of the rocket and other characteristics of its flight lend some credibility to North Korea's claim Friday that it had launched its first satellite into space, a U.S. government official said.

"It's possible they put something out there," the official said.

The U.S. Space Command, at Peterson Air Force Base in Colorado, has been scouring the skies in search of the satellite, which the official

news agency of North Korea said is circling the planet every 2 hours and 45 minutes. But a spokesman for the U.S. observation force, Commander David Knox, said Saturday that there was still no confirmation of a satellite.

After North Korea fired a multistage rocket Aug. 31, U.S. military and intelligence officials said they had closely monitored preparations for the launch. They said the rocket was a two-stage ballistic missile, called the Taepodong-1, that North Korea had had under development for years.

The United States has protested the launch during talks with a North Korean delegation in New York City. Those talks, which have covered a range of issues including Pyongyang's missile and nuclear programs, continued over the weekend.

While North Korea said its satellite

would promote "scientific research for peaceful use of outer space," officials in Washington said the rocket firing potentially represented a dangerous breakthrough in the country's efforts to build longer-range missiles.

■ Seoul Unsure About Satellite

South Korea said Sunday that it still could not verify or deny the North's claim that it had launched a scientific satellite. The Associated Press reported from Seoul.

"It has not been determined yet what North Korea did exactly — a missile firing or a satellite launch," said the chief presidential spokesman, Park Jie Won.

"We're closely cooperating and exchanging information with the United States and Japan to determine the truth of the North Korean claim," he said.

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Clinton's Troubles Deepen

The statement by Senator Joseph Lieberman of Connecticut on his long-time friend and political ally, Bill Clinton, answers a deeply felt requirement for a substantial political figure to speak openly about the sources of the president's distress. Ideally, that figure would be the president himself. Unfortunately, he is not yet at a point where political calculation and the manipulation of words are missing from his self-critiques. But Mr. Lieberman is at a different place. He commands a degree of personal credibility and moral authority that now allow him to speak truth about Mr. Clinton's relationship with a White House intern.

Much remains to be worked out on how Congress will and should respond to the Clinton scandal, but Mr. Lieberman has done what needed to be done at this moment. He has set a moral example. He has put first things first. At once he drew support on the Senate floor from two other estimable Democrats, Bob Kerrey and Daniel Patrick Moynihan.

Mr. Lieberman described the president's relationship with Monica Lewinsky as not just inappropriate (Mr.

Clinton's belittling word) but immoral, disgraceful and harmful. Not only has the president contradicted the values he publicly embraced, he said, he lied about it and deceived the many, including Mr. Lieberman, who took him at his word. His misconduct has had an impact "on our culture, on our character and on our children," not to speak of the presidency itself. For such behavior, he went on, Mr. Clinton deserves "some measure of public rebuke and accountability."

Queried later in Dublin, Mr. Clinton, noting up his candor a word at a time, said for the first time he was "sorry" about "it." He and his spokesmen suggested that the Lieberman statement had simply brought the senator abreast of the president's own private introspection on the Lewinsky matter.

This is an evident distortion. Mr. Lieberman has spoken with a clarity and a sense of public devotion that, on the evidence, are still alien to the president. These qualities are, nonetheless, the ones President Clinton still must find in himself if he is to make the best of his unhappy situation.

—THE WASHINGTON POST.

Desperate Russia

Desperate political circumstances help explain the contradictory economic program proposed on Friday by Russia's acting prime minister, Viktor Chernomyrdin. But it is hard to imagine how his successive phases of hyperinflationary expansion and ironclad austerity could possibly work. Russia needs during economic boldness, but this plan comes dangerously close to incoherence.

The initial, expansionary measures reflect Mr. Chernomyrdin's urgent need for support from Communist and other anti-reform members of Parliament when his nomination comes up for a second confirmation vote this week. In a first test, last Monday, he was defeated, 253-94. If he loses three times, Parliament must be dissolved and new elections called. That is a risk that most Russian politicians, including President Boris Yeltsin and Mr. Chernomyrdin, would prefer to avoid right now. The economy is close to imploding, and after two weeks with no government at all Russia desperately requires some political stability.

But if Mr. Chernomyrdin's new program is the price he has to pay for that stability, it is alarmingly high. Urgently needed reform measures are pushed off for at least four months.

until January. There can be no confidence that he will be able to muster sufficient political support to proceed even then.

Meanwhile, government presses will print worthless new rubles, guaranteeing a period of hyperinflation that will wipe out personal savings and make any payment of back wages worthless. Public anger at the politicians responsible for the financial ruin of ordinary Russians will be fierce. Further, it is hard to imagine that any new money would be forthcoming from foreign governments, the IMF or private investors during this first, hyperinflationary phase.

If and when the second phase of the program kicks in, Russia's central bank will yield control of monetary policy to a currency board that, if it works, would tie the ruble to either the dollar or the new euro, at the cost of surrendering control of Russian monetary policy to a foreign central bank. The program also promises that inefficient companies will be forced into bankruptcy and that the tax system will be reformed. These are exactly the kind of measures that could do a lot of good right now. What will happen in January is anybody's guess.

—THE NEW YORK TIMES.

Rape in Genocide

The guilty verdict that the war crimes tribunal for Rwanda pronounced on Jean-Paul Akayesu last week was the first judgment for the crime of genocide under international law. In making rape part of Akayesu's genocide conviction, the decision also advances the world's legal treatment of rape and sexual violence.

Akayesu, who is due to be sentenced later this month, was not accused of carrying out rapes or killings himself. The court found that as mayor of the city of Taba in 1994 he ordered Hutus to kill their Tutsi neighbors, including children. He also encouraged and ordered the rape and murder of Tutsi women in a cultural center he controlled.

While Akayesu's conviction completed the first full trial for genocide, a former Rwandan prime minister, Jean Kambanda, pleaded guilty to genocide on May 1. On Friday he was sentenced to life in prison, the maximum punishment at the tribunal.

The greater impact of the court's Akayesu decision will likely be seen in the area of rape and sexual violence. The court declared that rape may constitute genocide if committed with intent to destroy a particular group. In this case, Tutsi women were raped to increase their suffering before they were killed.

The court also issued the first definition of rape under international law. It called rape "a physical invasion of a sexual nature, committed on a person under circumstances which are coercive."

Coercive circumstances need not include physical force, the court said. Threats and intimidation would qualify. The definition is concise and broad enough to be a good guide, enabling courts to prosecute rape more easily in the future.

When charges were first brought against Akayesu, rape was not among

them. Despite extensive media reports of rapes, the tribunal's investigators, at the time virtually all men, could not find evidence to support an indictment. But during the trial a witness brought up rape in the cultural center. Questioned by Navanethem Pillay, a South African who is the tribunal's only female judge, the witness gave details. Other witnesses followed. Largely due to pressure from women's groups, the investigators went back to ask about rape, and those charges were added. Without female judges and investigators, this crucial aspect of the Rwandan genocide might never have been addressed.

—THE NEW YORK TIMES.

Other Comment

'Great Uncertainty'

From Wall Street to East Africa and the Kremlin, recent events demonstrate that the United States needs a strong, vigorous chief executive who is on top of issues and prepared to deal firmly with the next crisis. Unfortunately, we have a president who has been damaged politically by a sex scandal and his dishonest and clumsy handling of it.

Senator John McCain, Republican of Arizona, an eminently fair person, says Bill Clinton is clearly distracted and "there's great uncertainty, which the president's weakness reflects."

Although the uncertainties of the stock market could change things, most Americans still credit Mr. Clinton with doing a good job as president and seem willing to separate that from his personal behavior. But in public appearances the president looks distracted, exhausted, and it seems to us, embarrassed. That stands to reason.

—Los Angeles Times.

A Real Crisis Encounters Real Inertia in Japan

By Steven R. Weisman

PARIS — The frantic U.S. efforts to get Japan to act boldly to cure its financial crisis remind me of the time my mother got sick in Japan and was rushed to the hospital, where the Japanese doctors' best attempts to reassure her went awry.

As the doctors called for a battery of sophisticated tests, my mother mistakenly assumed that they were following the U.S. practice of testing only when something worrisome is suspected. Visibly anxious, she asked what was wrong. The doctors thought she was doubting their thoroughness, so they ordered even more tests. The more the doctors tried to reassure my mother, the worse she felt.

The same wide cultural gap afflicts the anguished dialogue between U.S. and Japanese financial officials. The United States is demanding root canal surgery on Japanese banks as the best way to instill confidence in the system. The more banks shut down, the more bad loans are disclosed and written off, the better. Japan counters that these steps will lead to panic, bank withdrawals and declining confidence in the nation's economic future — the opposite of what is intended.

Washington and Wall Street worry that Japan's anemic financial policies

are likely to keep its economy moribund and prevent recovery throughout Asia, possibly leading to a financial collapse that will make the recent turmoil in world markets look like a warm-up. Indeed, as Kenneth Courtis of Deutsche Bank has noted, Japan is more internationally isolated today than at any time since the 1930s.

Japan's problems are summed up in the career of Kiichi Miyazawa, the 78-year-old former prime minister brought in by the new prime minister, Keizo Obuchi, to oversee the economy.

Sharp, charming and unflappable, as anyone who watched him cradle a sick President George Bush in his arms in 1991 will long remember, Mr. Miyazawa began his career as a young Finance Ministry bureaucrat after the war who resented being lectured by General Douglas MacArthur. In his memoirs he wrote that "it may be hard for young people today to understand how unpleasant it was to live under the occupation." Any such person is unlikely to listen to American lectures, even during a crisis.

Mr. Miyazawa is considered a giant who helped nurture the Japanese post-

war miracle of state-supported capitalism, with all its coziness and impenetrability. He is especially unlikely to walk away today from a system that he feels brought Japan back from the rubble and defeat of World War II.

People who know him say he embraces the "soft landing" school of Japanese finance, in that he feels that a little more stimulus, and a little more openness in its banking system, will pull Japan out of its slump without causing undue panic.

The problem, according to U.S. officials, is that the most recent Japanese program is barely enough to reverse the negative effects of Japan's ill-timed tax increase last year.

Moreover, Japanese officials are still debating the criteria for auditing the nation's ailing banks — a bit late, considering that this is the seventh year of the Japanese slump. Tokyo has acknowledged bad debts of \$350 billion, but U.S. officials and private experts say they actually approach \$1 trillion.

Japanese inaction goes beyond the cultural to the political. Those in power in Japan have a strong vested interest in the status quo. The all-powerful Finance Ministry has no desire to shed control over the economy. Like Mr. Miyazawa, Finance Ministry alumni

who have gone on to wield power in business and politics tend instinctively to look out for the ministry's interests.

Mr. Miyazawa superintends these interests at the Liberal Democratic Party, which has dominated Japan for nearly all of the last 45 years. Like the old saying about the Holy Roman Empire being neither holy nor Roman nor an empire, the ruling party is not liberal or democratic.

It is less a party than a collection of special interests, from farmers to small businesses, giant corporations and organized crime, who supply money and resources to the party in return for its protection. That circle of self-interest serves as a powerful shield against demands for change.

Add to all these factors the traditional belief in the importance of consensus, and it is easy to see why radical reform is difficult. I have seen schoolchildren spending so much time trying to choose sides fairly for a baseball game that there is no time left for the game.

The world economy, of course, is not a game right now. But if Russia is a former superpower flailing about for solutions, the Japanese spectacle is one of deep-rooted inertia in the face of genuine crisis.

The New York Times.

Greenspan's Federal Reserve Could Help, but Don't Count on It

By James Galbraith

AUSTIN, Texas — Bill

Austin declared in Moscow last week that America's "fundamental economic policy is sound." But he does not control fundamental economic policy. Alan Greenspan does. And that policy, monetary policy, is not at all sound.

Under Mr. Greenspan's chairmanship, the Federal Reserve has done nothing for 18 months. During that time the dollar has risen, Asian financial markets have collapsed and Russia has defaulted. U.S. manufacturing, hard hit by falling exports, has been slumping for three months. If doing nothing was the right policy a year ago, it is not right now.

Today the world financial and political situation and the U.S. economy demand interest rate cuts in order to stabilize financial markets, lighten debt burdens and support economic growth. What happens next

will depend, above all, on whether we get them.

If the Fed does nothing, U.S. economic growth will probably continue to slow down. Recession risks, which were very low a year ago, are rising.

If recession does strike, unemployment will increase, inequality will worsen, the budget deficit will return and this president and this Congress, together, will suffer fatal damage at home and abroad.

If the Fed does nothing, there will be no stabilization in Asia. Capital will not return. Capital controls will become inevitable; in Malaysia they have already begun to be imposed.

With neither funding nor fundamental internal reform, the IMF's influence will collapse. China's prestige in Asia will rise. The Iranian model, theocratic and isolated, may

spread. On the Korean Peninsula, Southern crisis and Northern famine are an explosive mix. What might happen there, and on the nuclear frontiers of Kashmir, is anyone's guess.

In Russia the situation is worse still. What we in the West call "reform" is dead. Capitalism has failed. Leaders whose survival will depend on force may soon return to power. Civil war (the first in a nuclear power) is a real possibility.

America may soon come to see its "victory" in the Cold War as hollow, and its 1980s squeezing of the old Soviet Union as having been an act of not statecraft, but of shortsightedness and folly.

The IMF has been useless in this crisis; in most countries, its state orthodoxies have made things worse. It may be that financial instability can be

quelled only by new, regional institutions, effectively replacing the IMF, as indeed the new European Central Bank will do for Europe, and as Japan proposed last year.

So far, the Asian crisis, the Russian default, the IMF's impotence, the U.S. stock market slump and the U.S. slowdown bear a frightening resemblance to the early stages of the collapse of world capitalism that began in 1930. Just as that moment signaled an end of illusions, we have now seen the end of the long victory party that followed the Cold War.

Mr. Greenspan cannot, by himself, rescue Russia or Asia by cutting interest rates. But he and the Fed might be able to keep the U.S. economy out of a slump for another year.

In this way he would buy time for Mr. Clinton and Congress to acknowledge that larger problems exist. He can

send a signal that these problems are serious, that they require forceful action, not the banalities uttered by Mr. Clinton in Russia.

Will the Fed act, forcefully and in time? The historical record has always been too little, too late. Mr. Greenspan is hesitating. Hard-line Fed anti-inflationists, resolutely facing the wrong way, will obstruct interest rate cuts. Congress could force the Fed to cut rates, but I suspect that it lacks the will and the wit.

The White House and Treasury stand silently. Frankly, prospects are bleak.

The writer, who teaches economics at the LBJ School of Public Affairs at the University of Texas at Austin, is author of "Created Unequal: The Crisis in American Pay." He contributed this comment to The Washington Post.

NATO Should Arrest the Serbian Offensive in Kosovo

By William Pfaff

PARIS — Western policy for Kosovo has been paralyzed by a choice between alternatives that each seemed to lead toward disaster.

The first was to tolerate Slobodan Milosevic's police and military campaign to intimidate, punish, expel from their homes and make refugees of the ethnic Albanian population of Kosovo, so as to block their independence claims.

The other choice was a NATO military intervention, inevitably open to interpretation as support for the newly emerged guerrilla campaign to create an independent Kosovo, and indeed a "greater Albania."

Intervention, it was feared, might touch off an irredentist movement among the Albanian minority in Macedonia, which might then encompass Albania itself, provoking a regional crisis implicating Greece and Turkey.

Thanks to this dilemma, and to the habit of cunning, combined with ruthlessness, which has made Slobodan Milosevic the man he is, the West has lost

influence over Yugoslav events.

The West backed restored autonomy for the ethnic Albanians of Kosovo, within the Yugoslav state. It supported the nonviolent leader, Ibrahim Rugova, who was unofficially elected "president" by the Kosovars following their loss of autonomy in 1989.

Current U.S. policy is officially described as being to combine humanitarian aid with pressure for negotiations, under the threat of NATO action. Alas, there are no meaningful negotiations, and are not likely to be while NATO does not act.

Negotiations have proved fruitless, not only because of Mr. Milosevic's obduracy but because the Kosovo Liberation Army, which demands complete independence, rejects Mr. Rugova's pacific leadership, and has yet to reveal its own leaders or to demonstrate any interest in compromise.

It also has been driving the ethnic Serb minority out of their homes in Kosovo. The Liber-

ation Army's evident aim, responding to Mr. Milosevic's policy of ethnic cleansing on behalf of the Serbs, seems to be an ethnically cleansed Albanian Kosovo.

What is happening is desperately bad, but it is so bad that it has transformed, and promises to greatly simplify, the West's policy choices.

The extent and brutality of the repression launched against the Kosovars more than two months ago has created a situation in which all of the feared regional consequences are going to arrive whatever NATO does. Hence there is no longer any reason for NATO not to intervene against Mr. Milosevic, and there are strengthened reasons for doing so.

At the very least, some 200,000 ethnic Albanians have been driven from their homes, with those homes, and often their whole villages, subsequently destroyed through military action. Winter arrives by October. These people now, mostly, have

no safe place to go in Kosovo.

Yugoslav authorities are concealing the number of Serbs driven out of Kosovo in revenge, but one anonymous government official suggests that it may be as many as half the original Serbian population. These people are thought to be hiding inside Serbia, for fear of being forced to go back.

The Yugoslav government is deliberately interfering with international efforts to assist the Kosovo refugees. Three members of the Mother Teresa Society, the only aid agency which regularly attempts to get into the mountains where the refugees now are, were murdered before witnesses by the police on Aug. 24, while attempting to deliver supplies funded by the U.S. Agency for International Development.

The New York Times reports that aid workers believe this was part of a campaign not only to intimidate them but to keep refugees away from places where supplies are delivered. At the same time, the government has imposed a blockade on existing commercial food-distribution channels in Kosovo.

The Yugoslav authorities have announced that 10 "assisted points" will be designated where refugees can receive "from authorized persons" food and the material to build shelters. The apparent purpose of this is to concentrate the refugees in camps under police or army control.

It seems clear that if refugees have nowhere to go in Kosovo except into concentration

camps, they are going to force their way into Macedonia and Albania. Therefore the crisis will automatically be extended to the wider region.

Given that this is so, it would seem far better for NATO to act now to halt the Yugoslav military offensive in Kosovo. Mr. Milosevic should go back on the list of international war criminals, where then U.S. Secretary of State Lawrence Eagleburger put him in 1992 (from which list he was later excused, when he was thought indispensable to a Bosnia settlement).

By attacking the ethnic Albanian minority in his own country, forcing increasing numbers of them into exile, Mr. Milosevic has made an internal Yugoslav affair a matter for legitimate international attention and action.

There should be intense Western diplomatic efforts in Greece, Albania and Turkey to prepare for and contain the developing crisis, together with relief measures and political action in Albania and Macedonia to anticipate and control the Kosovars' exodus. NATO has leverage in all of these countries, and the job is not an impossible one.

This is not a happy prospect, but it means positive action to dominate a foreseeable crisis and to promote a new order in Serbia — whose government has been at the source of the Balkan crisis of the past decade. This is much better than witnessing, passively, still another Balkan tragedy.

International Herald Tribune.
Los Angeles Times Syndicate.

So Much for Clinton's Big Plan

By Richard Reeves

LOS ANGELES — In most ways, Bill Clinton and the late Richard Nixon, the extrovert and the introvert, are as different as two men could be. But in one critical public way they are the same. Both were on track to realize American politics, but each destroyed that possibility of change.

Mr. Nixon's dream was to create a new party of the center bringing together moderate Republicans and conservative Democrats from the South and from the ethnic neighborhoods of Northern cities and working class suburbs. That was the idea behind his private plans to dump his vice president, Spiro Agnew and run with a Democrat, John Connally, in 1972, or to endorse and promote Mr. Connally as his successor in 1976 or 1980.

Mr. Nixon thought that he could be the father of a new politics isolating Democratic liberals and some of their cosmopolitan Republican friends. With some slips and slides to the left in his first two years, Mr. Clinton was doing something similar. The difference was that by this time the South had become Republican and he was peeling off more moderate Republicans to create a coalition of the center to marginalize both the most liberal

of Democrats and the most conservative of Republicans.

Watergate crushed Mr. Nixon's scheme. Any chance that Mr. Clinton had ended last Thursday when Joseph Lieberman of Connecticut rose in the Senate to say that the private conduct of his old friend and ideological partner, the president, was "inappropriate — disgraceful — immoral."

Mr. Lieberman's denunciation was joined then by two of the least predictable of the Democrats: Bob Kerry of Nebraska and Daniel Patrick Moynihan of New York. Oh, the irony. One of the first mistakes made in the Clinton White House in 1993 was degrading Mr. Moynihan.

If you remember, back then an unnamed White House source was quoted in Time magazine saying of the New Yorker: "He's not one of us. ... He's cantankerous, but he couldn't obstruct us even if he wanted to. We'll roll right over him if we have to."

The world turns. Mr. Moynihan is still standing. Mr. Clinton has a gift for triggering outrage among those who thought they were his best friends. In 1993 and

1994, the angered were his old compatriots in the Democrat Leadership Council, the most prominent architects of his political persona and of centrist "new Democratic" or "third way" rule in conjunction with moderate Republicans.

As soon as he was elected, he turned his back on them and embraced the more liberal leadership of the Democrats in Congress, led by Tom Foley in the House and George Mitchell in the Senate. It was only late in 1994 that he realized he was going the wrong way.

He deftly spun back to the DLC and old friends like Mr. Lieberman. They are abandoning him now, for the most obvious of political reasons. They could lose their jobs. They are the members of Congress in the most competitive states and congressional districts.

Their anger at Mr. Clinton is sea-deep right now, and they live in fear that there are other shoes to drop, other women to come forward with Clinton tales.

So we have another irony, perhaps the final one. If this chase continues, Mr. Clinton will have to return to the liberal Democrats he was pushing to the margins with his "third way" schemes.

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INTERNATIONAL

U.S. Aborted Plan for Raid in Afghanistan to Capture Saudi Terror Sponsor

By James Risen
New York Times Service

WASHINGTON — U.S. intelligence officials drew up secret plans last spring for a covert raid to capture Osama bin Laden in Afghanistan, according to senior U.S. government officials.

The officials said the planning began after U.S. military, intelligence and law-enforcement officials concluded they had ample evidence linking Mr. bin Laden to a series of anti-American terrorist attacks in recent years.

The plan, developed by the Central Intelligence Agency and U.S. special forces months before the August bombings of two U.S. embassies, called for U.S. forces to remove the Saudi millionaire from Afghanistan and bring him to justice in the United States.

White House officials were aware of the mission, which was ultimately shelved by the director of central intelligence, George Tenet, and other senior officials because of the high risks involved. Those included the potential

for many casualties among Americans and innocent Afghans.

But Clinton administration officials said they were still working to develop a broad range of other options aimed at Mr. bin Laden or to dismantle his terrorist network when bombs exploded Aug. 7 at two East African embassies, killing 263 people, among them 12 Americans.

The officials' accounts of the covert planning add a new dimension to President Bill Clinton's decision to launch a cruise missile attack against Mr. bin Laden's training camps in Afghanistan and a pharmaceutical factory in Sudan with suspected links to Mr. bin Laden's efforts to obtain chemical weapons.

The administration has presented the cruise missile attack as an instance of Mr. Clinton's decisiveness in the face of terrorism. Swift retaliation was ordered, an administration spokesman said, because the evidence linking Mr. bin Laden to the bombings had come together quickly and unequivocally and because the United States had received information that he might strike again.

Mr. bin Laden, a Saudi exile who lives in Afghanistan, has publicly announced his plans to attack Americans, and U.S. authorities believe he directed the embassy bombings. But in fact, officials now acknowledge, intelligence and military officials were convinced long before the bombings that an attack against Mr. bin Laden was justified. The bombings in Africa and the speed with which investigators linked them to operatives working for the Saudi exile, officials say, gave crucial political impetus to those already advocating a counterstrike.

The precise timing and motivation of the cruise missile attack has raised questions, with some of Mr. Clinton's critics suggesting that he might have acted quickly to distract attention from his personal problems.

U.S. officials point to the fact that long-term planning against Mr. bin Laden was under way at the time of the embassy bombings as evidence that the cruise missile attack was not hastily improvised by the White House because of domestic political calculations. "These

things take a long time to plan and work out," an official said.

Yet Mr. Clinton and his top aides have generally been cautious about the use of military force and have turned down other proposed covert raids to capture suspects overseas.

In 1997, in fact, the CIA and special forces abandoned a plan to arrest Radovan Karadzic, the former Bosnian Serb leader charged with war crimes, after failing to win high-level approval for the covert operation.

The cruise missile strikes against Afghanistan and Sudan were a much lower risk operation than the proposed raid against Mr. bin Laden and did not result in any American casualties. But it also did not bring Mr. bin Laden to heel. Administration officials said that while some other terrorists were killed in the Afghan strike, Mr. bin Laden escaped unscathed.

Planning of the cruise missile operation was handled by a small circle of Mr. Clinton's closest national security aides and remains shrouded in secrecy. But several administration officials

agreed to describe how — in their view — Mr. bin Laden has become, over the last several years, the international terrorist viewed as the most serious threat facing American interests.

As early as 1993, in fact, federal officials say, Mr. bin Laden had become the subject of FBI scrutiny after the New York World Trade Center bombing.

In 1995, a back-channel meeting was held between U.S. and Sudanese officials in Europe, during which the U.S. officials warned the Sudanese that evicting Mr. bin Laden was one of several preconditions their government would have to meet before gaining international legitimacy.

A year later, Mr. bin Laden left Sudan for Afghanistan, but U.S. officials insist that Sudanese leaders never severed their ties to him.

By 1996, Mr. bin Laden had emerged as the leading target of the CIA's Counterterrorism Center, the government's central clearinghouse for intelligence on terrorists. He was named in a secret presidential covert action order on terrorism signed by Mr. Clinton that au-

thorized intelligence agencies to plan and carry out covert operations that might lead to some deaths.

U.S. officials are barred by executive order from planning an assassination. But a "lethal" presidential order, or finding, is a recognition that the action contemplated could lead to some of those involved being killed. Such a finding would permit Mr. bin Laden's inadvertent death in a military operation against his network.

To track his activities, the National Security Agency's eavesdropping satellites were used to listen in on conversations of his operatives throughout the world, while spy satellites that take photographs from space allowed CIA analysts to monitor his training camps.

With so many intelligence resources targeted against Mr. bin Laden, CIA analysts were able to determine that in January he held a meeting with leading members of his network to prepare for a new wave of terrorism. He soon publicly announced his intentions when he issued a *fatwa* or edict, calling on Muslims to kill Americans.

There were reams of intel documenting bin Laden before the embassy bombings in East Africa, a U.S. official said. Another official said, "We've had the book on this guy for a long time."

At some point in this period — officials declined to specify when — federal prosecutors in New York obtained a sealed indictment that charged him with terrorism crimes. In April, the chief U.S. delegate to the United Nations, Bill Richardson, traveled to Afghanistan and called on the Taliban, the fundamentalist movement that controls most of the country, to extradite him. The Taliban refused, and U.S. officials apparently abandoned diplomatic efforts to negotiate the bandover of Mr. bin Laden.

At the time of Mr. Richardson's talks with the Taliban, criminal charges had not yet been formally issued against Mr. bin Laden in the United States, but federal prosecutors in New York were already working on a criminal case against him, officials said.

Federal prosecutors later did obtain a sealed indictment against Mr. bin Laden from a New York grand jury charging him with terrorism crimes. The indictment, returned in the months before the Aug. 7 embassy bombings in Africa, would have provided the legal basis for Mr. bin Laden's capture and arrest.

Also in this period, military and intelligence officials began drawing up plans either to capture Mr. bin Laden or to deal a blow to his network through other options under consideration.

While those plans received high-level attention, officials caution that it is not clear that any of them were ready to be carried out before the terrorist attacks in Africa. As a result, officials stressed that there is no sense of regret among policymakers that they waited too long to go after Mr. bin Laden.

Kohl's Crown Prince Shines in the Polls

Many Wonder: Would Wolfgang Schaeuble Have Been a Better Choice?

By Alan Cowell
New York Times Service

BONN — In dire straits, a political party taps its most popular figure to lead the campaign to cling to power. Right?

Wrong, at least in Germany.

As this country heads for a national election on Sept. 27 that will chart its course into the 21st century, the focus for many people is on whether Chancellor Helmut Kohl — Europe's most durable statesman — will survive.

Behind him, though, there is a figure far less known outside Germany, but just as familiar to Germans, Wolfgang Schaeuble. He is distinguished not simply because he is the only leading German politician to operate from a wheelchair, but also because the same opinion surveys that forecast defeat for Mr. Kohl define Mr. Schaeuble as the man who would have been most likely to succeed in a head-to-head challenge with Gerhard Schröder, the opposition contender for power in the election.

The reform-minded and energetic Mr. Schaeuble is Mr. Kohl's crown prince, a loyalist since the 1970s within the dominant Christian Democratic Party. He was anointed by the chancellor last year as his favored heir and has given sharp-tongued responses to those who doubt his energies or suggest that physical disability might thwart ambition.

"Can a cripple become chancellor?" he asked bluntly in an interview last

year, suggesting that he might seek the position at some point despite the disability imposed on him by an assailant in 1990. "I probably would not resist the temptation."

Indeed, many inside and outside Mr. Kohl's party have suggested that Mr. Schaeuble should have been the Christian Democrat to meet the most serious challenge from the opposition Social Democratic Party in years. During the campaign, the underlying rivalry between the men has bubbled forth in what seemed a brutal put-down by Mr. Kohl.

Not long ago, Mr. Schaeuble delicately but unmistakably addressed an issue that underpins German political calculations: Is Mr. Kohl campaigning with a secret agenda in mind, seeking re-election as a short-term chancellor, only to hand over to Mr. Schaeuble if he wins?

"I am a candidate for this legislative period," Mr. Kohl snapped back, referring to the four-year terms to which German voters are usually heir. "Full stop, finish, over," he said. His reasoning is that, as he said in earlier remarks, "I can do it best."

But, at 68, Mr. Kohl also seems to be running against generational currents that would give Mr. Schaeuble, 56, an edge in the contest with the Social Democrat challenger, Mr. Schröder, who is 54.

So what does Mr. Schaeuble think? The answers, provided in an interview in his parliamentary office before the latest brouhaha, indicate that the crown prince

is torn, neither easy in the role Mr. Kohl has marked out for him nor prepared for the ultimate disloyalty to his mentor.

"A leader who has ruled for 16 years has a certain appearance of tiredness, but there are a lot of arguments that speak for Kohl at a time when many of my compatriots are fearful of change," he said, evoking the fatigue factor that many Christian Democrats prefer not to mention in public discussions of Mr. Kohl.

But "if you look at all the arguments, then you come to the conclusion that it was right to have Kohl," Mr. Schaeuble said, suggesting more of an internal debate over the candidacy than had been publicly known.

Mr. Schaeuble's wheelchair is seen by some analysts as an obstacle to popular acceptance of him in the top job. Others maintain that the force of his personality offsets any doubts.

"The disability has brought positive sympathies," said Richard Hilmer, a poll taker in Berlin. "And what's recognizable from opinion surveys is that there's no hesitation about having a disabled person as chancellor."

Mr. Schaeuble has been paralyzed from the waist down since he was shot on Oct. 12, 1990, by Dieter Kaufmann, who thought he was being persecuted by the government.

A fast-talking politician, educated in law and economics, Mr. Schaeuble had played a high-profile role in negotiating the terms of German reunification in



Wolfgang Gerhardt, left, leader of the Free Democratic Party, before an election rally Sunday in Berlin. National elections are Sept. 27.

October 1990. He had acquired an image as an adroit political manager, party arm-twister, conciliator and rising star, respected even outside his own party.

In Mr. Schaeuble's relationship with Mr. Kohl, there is something of the good cop-bad cop. "Kohl for the heart, Schaeuble for the mind," Michael Backhaus wrote in the Berliner Morgenpost.

There is one way that Mr. Schaeuble could emerge as Germany's leader earli-

er than Mr. Kohl seems ready to acknowledge as he campaigns for an unprecedented fifth term.

The September vote could force the Christian Democrats and Social Democrats to form a "grand coalition" similar to those that have governed Germany twice in the postwar period. In that case, Mr. Kohl has said, he would not serve. Mr. Schaeuble would be the obvious Christian Democrat choice to head one.

Kinkel Assails A U.S. Envoy Over Kosovo

Reuters

SALZBURG, Austria — Foreign Minister Klaus Kinkel of Germany lashed out Sunday at the U.S. special envoy for the Kosovo crisis, Christopher Hill, rebuffing his accusations that Europe was indifferent to the fate of the Serbian province and its ethnic Albanians in their struggle for independence.

Angered by criticism from the American diplomat, who has shuttled between the Yugoslav negotiators and the Kosovo Albanians in search of peace, Mr. Kinkel berated Mr. Hill for a "cynical and condescending" attack unworthy of an ambassador.

Mr. Hill is the U.S. ambassador to Macedonia but has taken on the Kosovo problem as well.

The German foreign minister said that the European Union ought to appoint its own "special envoy to Kosovo, a la Hill," to help achieve a settlement to the seven-month-old conflict.

"I think we can and must show the flag down there much more," Mr. Kinkel told reporters at a meeting of EU foreign ministers. It is not right," he said, for Europe to leave the field alone to Mr. Hill.

In a speech Friday in the United States, Mr. Hill charged that EU governments were indifferent to Kosovo and content to congratulate themselves on forging a so-called "united Europe" that conveniently leaves out the troublesome Balkans.

"We are not the world's policeman," Mr. Kinkel snapped in reaction.

He insisted that no one who had witnessed Europe's tremendous efforts in troops and investment to bring peace to Bosnia should dare cast doubt on the EU's commitment to Balkan peace and stability.

Mr. Kinkel said he was exasperated by constant criticism of the EU for not resolving all the world's conflicts.

"Such crises cannot be resolved from one day to the next," he said, likening Kosovo to Congo or Sudan. "We need a bit of patience."

■ EU Air Curb Approved

Three months after the European Union said it would halt commercial flights to the two Yugoslavia members — Serbia and Montenegro — the measure was finally approved Sunday when Greece dropped its last-minute reservations. The Associated Press reported from Salzburg.

KOREA: Kim Il Sung, Dead for Four Years, Is Elected 'Eternal President' in the North

Continued from Page 1

Under the new constitution, the tasks of receiving ambassadors and representing the state for diplomatic purposes will be taken over by the president of the Presidium of the Supreme People's Assembly, the legislature.

The president of that presidium will be Kim Yong Nam, the previous foreign minister, a man who has no power base of his own but is experienced in diplomacy.

Kim Yong Nam, who is unrelated to Kim Jong Il (Kim is the most common Korean family name, held by 22 percent of all Koreans), is now ranked No. 2 in North Korea's hierarchy.

It is not clear why Kim Jong Il is so reluctant to meet foreigners and appear in the public eye. But a top North Korean official who defected to the South, Hwang Jang Yop, has argued that Kim Jong Il believes that he derives some

charisma or power from the air of mystery that surrounds him.

North Koreans are expected to continue to focus their cult of personality on the father, whose face continues to adorn the badges worn by nearly every adult North Korean.

But the son, known as "Dear Leader" while his father was alive, is also now referred to as "Great Leader" — although the Korean phrase used for the son is different from the one reserved for the father — and the North Korean authorities are hailing his rise to head of state as a major national triumph.

North Korea became the first Communist country to transfer government power within a family dynasty when it anointed Kim Jong Il as head of an expanded National Defense Commission on Saturday.

In effect, Mr. Kim will govern in much the style of an ancient Korean king, ruling absolutely and inheriting

legitimacy not from institutions but from the bloodline of the previous ruler.

The official KCNA press agency described the move Sunday as "a historic event and great jubilee of the nation, which gives a definite guarantee for certain victory in the revolutionary struggle of the Korean people."

South Korea, for its part, urged Mr. Kim to be "responsible" and to stop building up his country's armed forces at a time when many North Koreans are starving.

The announcements over the weekend, and the consolidation of power by Kim Jong Il, ends the four-year interregnum left by the death of Kim Il Sung.

Most analysts expect few immediate changes because Mr. Kim has been running North Korea since his father's death. But some say that the coronation of a new king permits the country to experiment carefully with new policies.

"He's less ideological than his father and he represents a different generation," Mr. Park said. "He's much more pragmatic."

If North Korea is one of the most perplexing of nations, Kim Jong Il is among the most mysterious of leaders. Intelligence experts say that he may have several nuclear weapons.

He has traveled outside his country only once, to China in 1983.

Some analysts see him as a maniac, noting that he has been accused of kidnapping a South Korean actor-and-actress couple whose work he admired, of planning the bombing of the South Korean cabinet in 1983 and of plotting the bombing of a South Korean airliner in 1987. The woman who planted the bomb on the plane, Kim Hyon Hee, said that Kim Jong Il had ordered the attack.

Others say that he lacks his father's charisma but appears to be intelligent and relatively open-minded.

Gadhafi Sees Trial As 'Transit Point'

The Associated Press

TRIPOLI, Libya — The Libyan leader, Moammar Gadhafi, has rejected the terms of an American and British offer to try two Libyan suspects in the Pan Am bombing case in the Netherlands, but a Scottish defense lawyer suggested that he was simply bargaining.

In a speech late Saturday, Colonel Gadhafi accused Washington and London of trying to use the Netherlands as "a transit point" in the case.

The offer calls for the trial of the two Libyans — Abdel Basset Ali Megrahi and Lamen Khalifa Fhimah — at The Hague. If found guilty, they would be transferred to Britain to serve their time.

The 1988 bombing of the Pan Am jet over Lockerbie, Scotland, killed 270 people.

Colonel Gadhafi told a gathering here that this was not the trial in a third country that Libya had demanded but a deal "to make the third country a transit point to transfer the accused to Britain."

He said Libya would "go tomorrow to the Netherlands, provided that the Netherlands is the last stop in case of acquittal or conviction."

In Edinburgh, the defense lawyer Alistair Duff said that Colonel Gadhafi had appeared to be saying that in principle, the idea of a trial "is not unacceptable."

Mr. Duff said the Libyan leader had meant "that there need to be clear guarantees and assurances about the risk of extradition — passing the two accused on to some other country."

BRIEFLY

Norwegian Leader Extends Sick Leave

OSLO — Prime Minister Kjell Magne Bondevik, an sick leave for depression after overwork, extended his leave on Sunday for a second week.

"He needs a bit more time," the acting prime minister, Anne Enger Lahnstein, told NRK public television.

She said she expected Mr. Bondevik, an ordained priest in Norway's state church, to be back long before the budget is presented Oct. 5. (Reuters)

Kabila Will Be Head Of Peace Delegation

KINSHASA, Congo — President Laurent Kabila will lead the Congolese delegation at talks in Zimbabwe on Monday aimed at ending civil war and foreign intervention in the former Zaire, a senior aide said Sunday.

"The president will be there," said the information minister and government spokesman, Didier Mumentgi. He said Mr. Kabila's presence would underline his country's view of the talks as an important step to ending conflict in the Central African region. (Reuters)

Jordan and Turkey Call for Security Plan

AMMAN, Jordan — Jordan and Turkey called Sunday for closer cooperation among Middle Eastern countries to combat terrorism and bring stability to the volatile region.

The prime minister of Turkey, Mesut Yilmaz, reaffirmed that increased security cooperation between his country and Israel should not be seen as a threat to Arab states.

Sitting at his side, the prime minister of Jordan, Fayez Tarawneh, said, "We are not part of any coalition or any alliance of a security nature." But, he added, the region needs "comprehensive" security cooperation that would contribute stability to the region. (AP)

Israeli Leader Expects New Wave of Russians

JERUSALEM — Prime Minister Benjamin Netanyahu warned his cabinet Sunday that Israel must prepare for a new wave of Jewish immigrants from Russia following the current economic crisis. He did not specify what he had in mind.

Immigration from the former Soviet Union to Israel has been falling in recent years after reaching a peak at the beginning of the 1990s, after the collapse of the Soviet empire. (AFP)

EUROPE

A Grim Austerity Settles Over Russia's 'Xanadu'

By Daniel Williams
Washington Post Service

MOSCOW — Until the ruble started to collapse in mid-August, Moscow wore a mask of prosperity.

It was a place where shortages of food and consumer goods had become a dim memory, where jobs were plentiful and where well-stocked storefronts, pricey restaurants and brightly illuminated billboards proclaimed an era of prosperity.

"Xanadu on the Moscow River, some called it."

Now, in a matter of just a few weeks, Russia's proud capital has been humbled by an economic crisis that brought back memories of hard times. Dreamy ghosts returned in the form of food hoarding and barren store shelves.

The arrival of a truck full of potatoes from the countryside is again an occasion for a rush of buyers.

With the daily value of the national currency anybody's guess, dollar hunting has become a city sport, and foreigners are again accosted on the street by black-market traders on the lookout for the coveted currency.

For many Muscovites, the daily lineup of anxious clients at banks and money exchange offices recalls the old Soviet days of bread lines.

Merchants in modest outdoor farm markets and posh marble shopping malls alike bemoan the disappearance of customers.

Even Moscow's customary municipal swagger took a hit. The weekend's annual Founder's Day festival was reduced to a pitiful shadow of earlier anniversaries. For lack of money, city hall even canceled the fireworks display.

"You know things are bad here when they cancel the fireworks," said Dmitri Rogdanov, a shopper at the Dynamo Stadium outdoor market. "Here, as we say, the mayor lights fireworks to celebrate sunrise, so you can imagine how it pained him to call this off."

The Dynamo market is one of scores of markets all over the city filled with traders who haul in goods from the frontiers or purchase imports from legions of wholesalers. Imports are Moscow's lifeline.

Saturdays are big shopping days in Moscow, so it was easy to take the pulse of buyers and peddlers alike. Women gazed open-mouthed at displays of cans of coffee priced at the ruble equivalent of \$20 — rubles have dropped in value to about 17 to a dollar. In mid-August, the rate was roughly 6.5.

Shoppers clucked at Danish pig hearts on sale at 28 rubles a kilogram (about 13 rubles a pound), double the

early August price.

The price will go up next week," said Mirab, a butcher from Azerbaijan. "Each day I have to adjust the price. And my supplier says that he doesn't know how long he can continue to bring in the products. People are buying less, he is running out of rubles and, of course, the Danes want only dollars."

The Azerbaijani said his customers were buying fewer, and cheaper, cuts of meat. "They say they will feed their families on only rice if they have to," he said.

At a row of mini-boutiques that sell Italian-made clothes, Nadezhda Subotina gloomily pondered a quandary: Sales are off, but she is reluctant to raise prices and risk scaring off more customers. Yet she needs more and more rubles to convert into dollars to continue buying imported clothes.

"I already put \$23,000 down for the

next season's fashions, and I have no idea how I'm going to come up with the rest of the money to complete the purchase," she said. "I'm afraid my \$23,000 may turn out to be a gift to the Italians."

She and other merchants at Dynamo complained that the uncertainty about the future of the ruble compounds their problems. "It's hard enough to set prices today, much less think about tomorrow," said Marina Zhurabiyova, who sells Barbie dolls.

She said she used to sell about five Barbies a day, but now sells three. Moreover, in dollar terms, she is making far less because she is reluctant to raise prices for fear that customers will disappear entirely. "I'm in a trap and I can't get out until I know what the future holds," she said.

The crisp autumn-like weather would ordinarily signal brisk business for

Vladimir Ivanov at his fur-hat stall, but that is not the case. Customers shy away from his products because they must limit purchases to those fulfilling basic needs, he said. "Is a fur hat the thing I buy in this situation?" he said. "No. I buy flour and sugar. A fur hat is no good on an empty stomach."

Newspapers that only a few weeks ago issued dreamy advice on how to furnish homes and dress like fashion models now offer tips on how to survive hard times.

Last week, Komsomolskaya Pravda cautioned consumers to be careful when trading rubles on the street. Swindlers, the paper said, sometimes conceal false bills in the middle of piles of real ones and disappear quickly after a transaction.

The paper also gave advice on the best foods to hoard. "Rice, for example, is good for up to three years," it said.



A woman examining fruit at an outdoor market in Moscow on Sunday. Prices are going up every day.

Chernomyrdin Affirms Russia's Links to the West

The Associated Press

MOSCOW — Russia still wants aid and cooperation from the West, Acting Prime Minister Viktor Chernomyrdin said Sunday on the eve of a crucial meeting that could help determine the course of Russia's next government.

"Russia is now enmeshed in the global financial system and this system doesn't want any collapse," Mr. Chernomyrdin said in an interview on the popular television program "Itogi."

He said that Russia needed, at the least, to double its gold and foreign currency reserves, preferably through assistance from the "global financial system."

His remarks were the latest effort by Mr. Chernomyrdin to reassure Western governments and Russian reformers that he hoped to avoid retrenchment into Soviet-style economic isolation, which some people have predicted.

President Boris Yeltsin will meet Monday with lawmakers and trade union leaders in an attempt to agree on forming a new government, his press service said.

Mr. Yeltsin proposed the meeting on Friday, prompting lawmakers to postpone a second vote on confirming Mr. Chernomyrdin.

The Communist-dominated Duma, the lower house of Parliament, has already rejected Mr. Chernomyrdin once.

Mr. Yeltsin's information office said he would meet with eight members of each house of Parliament, along with Mr. Chernomyrdin, the mayor of Mos-

cow, Yuri Luzhkov, and leaders of Russia's two largest trade unions.

The Duma is scheduled to vote on Mr. Chernomyrdin later in the day.

Mr. Chernomyrdin sent a message Sunday to the finance ministers of Britain, Germany, France and Italy saying that "with the help of the international community, we will manage to stabilize the situation," Russian news agencies reported.

The letter was a response to Britain's decision to call an emergency meeting of other members of the G-7 industrialized countries to discuss how to help Russia's

Bonn Barks on Debt Moratorium for Russia

Compiled by Our Staff From Dispatches

SALZBURG — Foreign Minister Klaus Kinkel of Germany rejected on Sunday proposals that Western countries should grant Russia a moratorium on foreign debts to help solve its present economic crisis.

"I don't think a moratorium would be right," Mr. Kinkel said at an informal meeting of European Union foreign ministers. "We must help Russia in difficult times, but we mustn't immediately move toward a moratorium."

Mr. Kinkel said that Russia had been a reliable debtor over the years and that it was important that Moscow continue to make payments on its debts to Germany.

Russia has received loans totaling about 54 billion Deutsche marks (\$31 billion at the present exchange rate) from German banks.

new government once it is formed.

Russia is in the midst of its most serious economic and political crisis since the collapse of the Soviet Union in December 1991.

The economy has been in a virtual free fall, with the government devaluing the ruble and effectively defaulting on foreign loans.

Ever since Mr. Yeltsin fired the previous cabinet, which was headed by Sergei Kiriyenko, the country has been groping its way through the crisis without an effective government.

The political opposition blames Mr.

Chernomyrdin's policies while he was prime minister for the economic crisis.

Under the constitution, Mr. Yeltsin has three chances to propose a prime ministerial candidate. If Parliament votes "no" three times, the president must dissolve the legislature and call new elections, a development that could add to the current turmoil.

The Communist deputy speaker of the Duma, Svetlana Goryacheva, appealed to all sides to reach an agreement, the Interfax news agency reported.

The ruble, which was trading at about 6 to the U.S. dollar (16 cents each) just last month, was down to about 18 to the dollar (5.5 cents) in street trading on Sunday, and has yet to stabilize.

The crisis has not yet caused serious unrest, but Mr. Yeltsin's most radical opponents have tried to exploit it.

Surprise Name Is Added to List

The Communists intend to present President Yeltsin with a series of alternative candidates for prime minister on Monday, including the surprise possibility of Acting Foreign Minister Yevgeny Primakov, Reuters reported from Moscow.

The NTV station on Sunday broadcast a video of the Communist leader, Genadi Zyuganov, talking to party members in Parliament on Friday and mentioning five possible alternative candidates to acting Prime Minister Chernomyrdin, including Mr. Primakov, a former head of the security police. The television station used a powerful long-range microphone to record Mr. Zyuganov's remarks.

BRIEFLY

Adams Not Saying IRA Will Disarm

DUBLIN — Gerry Adams, the president of Sinn Féin, the political wing of the Irish Republican Army, said Sunday that he could not guarantee that the IRA would agree to disarm during the negotiations in the new Northern Ireland Assembly.

The IRA said last week, timing its statement to President Bill Clinton's three-day visit to Ireland, that although it found the new Northern Ireland peace agreement a "significant development," it had no plans to disarm.

Disarmament is the next major hurdle for the Assembly, a mixture of Roman Catholic and Protestant politicians charged with putting into effect the peace agreement approved by leaders in April. It was overwhelmingly approved by voters in the mostly Protestant British province of Northern Ireland and here in the overwhelmingly Catholic Irish Republic.

Mr. Adams' hard-line statement contrasted with his remarks on the eve of Mr. Clinton's visit, when he emphasized that sectarian warfare was a thing of the past. (NYT)

Defeat in Malta

VALLETTA, Malta — Prime Minister Alfred Sant of Malta resigned Sunday after conceding defeat when early results from the election Saturday showed that the pro-European opposition Nationalist Party was ahead.

The Nationalist Party leader, Eddie Fenech Adami, was prime minister for nine years until he was ousted by Mr. Sant in the 1996 election. Officials said they expected him to be sworn in Monday and that he would form his new cabinet the next day. (Reuters)

Pay Cut for Queen

LONDON — The British Treasury is planning to cut the queen's annual pay raise in a radical reform of royal finances, The Sunday Times reported.

The chancellor, Gordon Brown, is said to be appalled that the royal family has been getting an annual 7.5 percent increase in state funding. He is reported planning to cut the pay rise to 2.5 percent, starting in January 2001. (A.P.)

BRIEFLY

Norwegian Leader Extends Sick Leave

OSLO — Norwegian Prime Minister Kjell Magne Bondevik said Sunday he would extend his sick leave for another week, his spokesman said.

Kabila Will Be Of Peace Delegation

KINSHASA — Laurent Kabila, leader of the rebel movement that ousted Mobutu Sese Seko Kibangu Ngbendu, said Sunday he would join a peace delegation to the Congo.

Jordan and Turkey Call for Security

AMMAN — Jordanian King Hussein said Sunday he would meet with Israeli Prime Minister Benjamin Netanyahu to discuss the security situation in the Middle East.

Israeli Leader Expects New Wave of Res

TEL AVIV — Israeli Prime Minister Benjamin Netanyahu said Sunday he expected a new wave of resignations from his cabinet.

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KOREAN AIR BEYOND YOUR IMAGINATION

Akira Kurosawa, Eclectic Japanese Filmmaker, Dies at 88

By Rick Lyman
New York Times Service

Akira Kurosawa, 88, who personified Japanese movies to most of the world and who grew into one of the handful of truly important directors that the cinema has produced, died of a stroke Sunday at his home in Tokyo, his family said.

Mr. Kurosawa, the son of a military institute's athletic instructor, stumbled into filmmaking after falling as a painter and became one of the colossal figures in film history. He was an autocratic perfectionist with a painter's eye for composition, a dancer's sense of movement and a humanist's quiet sensitivity. Dozens of directors spanning two generations have acknowledged his enduring influence on their work.

When Mr. Kurosawa's "Rashomon" reached Western audiences in 1951, little was known outside Japan about the country's cinema. That changed overnight with "Rashomon," a compelling study of ambiguity and deception that provides four contradictory accounts of a medieval rape and murder recalled by a bandit, a noblewoman, the ghost of her slain husband and a woodcutter. The characters, Mr. Kurosawa said, have a "sinful need for flattering falsehood" and "cannot survive without lies to make them feel they are better people than they really are."

Mr. Kurosawa's calculated blend of Japanese

folklore with Western acting styles and storytelling techniques provided a link between the two worlds, reintroducing Japanese culture to a postwar global audience and leading to an amazingly fertile decade that saw the director produce several films that have widely been acclaimed as among the finest ever made, including "Seven Samurai," "Idoru" and "Yojimbo."

"I suppose all of my films have a common theme," Mr. Kurosawa once told the Japanese film scholar Donald Richie. "If I think about it, though, the only theme I can think of is really a question: Why can't people be happier together?"

Mr. Kurosawa's interests in Western literature, Japanese folktales and American westerns led him to diverse source material. He was a master of both of the most popular Japanese film genres of his era, the *jidaï-geki*, costumed action film involving medieval samurai and the *gendai-geki*, a more realistic, often domestic, drama rooted in contemporary life.

In her introduction to "Voices from the Japanese Cinema" (1975), Joan Mellen wrote: "It is possible to draw a line from Kurosawa's finest film, 'Seven Samurai,' which Donald Richie has called the greatest Japanese film ever made, back to Daisuke Ito's 'Man-Slashing, Horse-Piercing Sword' in 1930. But if Ito created the genre of *jidaï-geki*, Kurosawa perfected the form and gave it so deep a historical resonance that each of his

jidaï-geki has contained within it the entire progress of Japan from feudal to modern times."

Mr. Kurosawa chafed when Japanese critics described his work as too Western. "I collect old Japanese lacquerware as well as antique French and Dutch glassware," he said. "In short, the Western and the Japanese live side-by-side in my mind naturally, without the least bit of conflict."

Stories of his perfectionism are plentiful. He once halted production to reconstruct a hugely expensive medieval set because he noticed a nail head was barely visible in one shot. For the climax of "Throne of Blood," his 1957 samurai version of "Macbeth," he insisted that his star, Toshirô Mifune, wear a protective vest and perform the scene while being shot with real arrows.

On the set, where he rarely brooked dissent, he developed his own technique that allowed him to edit each day's scenes that night and be finished with a rough draft of the film within hours of shooting the final scene. He would rehearse all of the scenes meticulously, sometimes for weeks, then shoot them from beginning to end, using three cameras positioned at strategic points. "I put the A camera in the most orthodox positions, use the B camera for quick, decisive shots and the C camera as a kind of guerrilla unit," he said.

While he was quite strict with his technical crew, he was more patient with actors. He described his approach this way: "Unless you can see, as an

actor, what the director is trying to express simply by how he looks and acts himself, you are going to miss the finer points. When my cast and I are on location, we always eat together, sleep in the same rooms, are constantly talking together. As you might say, here is where I direct."

The approach paid off with an intense loyalty. Kyoko Kagawa, who starred in "The Lower Depths" (1957) and the contemporary thriller "The Bad Sleep Well" (1960), told an interviewer: "It is only when I work with the Kurosawa group that I feel fulfilled as an actress — and coupled with that is the feeling of relief that I know when I see that Kurosawa is satisfied."

Perhaps the greatest loyalty was between Mr. Kurosawa and Mr. Mifune, his most famous star. Mr. Kurosawa made 17 films between 1948 and 1965, and all but one of them starred Mr. Mifune. But the director and his top star had a falling out following the making of 1965's "Red Beard," partly because of Mr. Mifune's desire to mount his own productions and partly due to his annoyance over what he saw as Mr. Kurosawa's growing perfectionism. They never worked together again; Mr. Mifune died in 1997.

Mr. Kurosawa's global fame was not always matched by popularity at home, and Japanese audiences seemed to tire of his costume epics. Financial reversals following the release of "Dodeskaden" in 1970 combined with a per-



Mr. Kurosawa directed his last film in 1991.

sistent and painful ailment (later diagnosed as gallstones) led him to attempt suicide in 1971. Though he recovered, he seemed changed. After having made 22 films between 1946 and 1965, he made only five in the 28 years following "Dodeskaden," although two of them, the epic "Kagemusha" (1980), centered on a thief, and "The Hidden Fortress" (1980), centered on the identity of a dead warlord (1980) and "Ran" (1985) are considered among his finest works.

LANGUAGE

Double Entendres for Dummies

By Taras Grescoe

NEW YORK — In a television profile, Sting argued that he was more than just a pretty face. "Rock stars and footballers are supposed to be *idiots savants*," he trilled. "We're not supposed to have read Proust." Monsieur Sting's erudition may indeed be staggering, but chances are *idiot savant* didn't come into his vocabulary by way of Swann.

First coined in 1887 by the British doctor J. Langdon Down (he of the famous syndrome), the expression doesn't particularly benefit from a Gallic accent — since it is virtually unknown in France.

The same goes for *double entendre* and *affaire d'amour*. At SoHo galleries, such expressions give one's dialogue a cachet, a certain *je ne sais quoi* (*it's not there, but it's there*). At a Bastille vernissage, they'll provoke embarrassing silences and incomprehension.

Whether it is French or English doing the borrowing, most loan words should be handled with more than a *soufflé* of suspicion.

Terms like *le fastfood*, *le jogging* and *le weekend* are routinely cited as examples of how, faced with a changing world tragically tongue-tied by a rigid, rule-bound lexicon, the French are forced to borrow words wholesale from the more dynamic, flexible English. Unfortunately, the "English" that French people speak is a bizarre mishmash that would be Greek to anyone born on this side of the Atlantic.

Parisians expect Anglophones to understand them when they accuse one another of *snobisme* or complain about how it's impossible to rent a luxurious apartment *de standing* on the strength

of a mere *shake-hand*. After all, these are English words with an impeccable pedigree — or so most French people seem to think.

The German linguist Herbert Pilch called this process pseudoborrowing and noted that it was endemic among the sesquilingual of Europe — his name for those who have mastered one and a half languages. Pilch argued that since English had become Europe's de facto second language, speech peppered with Anglo-Saxon expressions was becoming a hallmark of a higher education.

The problem, he pointed out, was that though many Europeans had at one time studied English, they retained only a superficial knowledge of it. Since the sesquilingual in Europe aren't routinely in contact with native English speakers, they chatter away in quasi-English without fear of correction or contradiction.

Strangely, English — which has earned a reputation for being a promiscuous language — isn't guilty of too much pseudoborrowing, at least when it comes to French. The sad fact is, since most North American English speakers can only dream of speaking one and a half languages, they're hardly capable of inventing words that look foreign.

Native English speakers prefer to haul out aging French expressions, accents and italics intact, for ostentatious display at gallery openings and cocktail parties and in op-ed pieces.

A little linguistic knowledge can be a useful thing. The next time you find yourself buttonholed by a tiresome snob proud of his *repartee* (that's *répétition* in Paris), you might want to feign incomprehension of some of his more egregious and obsolete Gallicisms.

If he mentions, for example, that he chose a *nom de plume* that reflected the sophisticated milieu of his first novel,

just look at him blankly, wait a beat and reply: "Ohhh, you mean you chose a pseudonym." Taken aback, he'll scold you for not having heard of his book, a literary nonpareil that was a real *succès de scandale* thanks to its cast of *outré* characters.

Imitate his pronunciation of "ooo-tray," arch an eyebrow and ask him what his characters were so outraged about. After suggesting that he meant to say *outrancier* — which is closer to outrageous — and *une chose sans pareille*, ask him to explain *succès de scandale*. The expression has dropped out of French idiom.

There's no question that our language would be better off if a few such overused expressions were bundled up and forcefully expatriated via Concorde and Eurostar Express. "That's life" and "so-so" would get along just fine without their pretentious Continental cousins *c'est la vie!* and *comme ci, comme ça*.

A few French phrases, however, express ideas more succinctly and evocatively than any in English and deserve to be coaxed into day-to-day use. I'd like to be able to *chambrier* a bottle of wine, for example — bringing it to room temperature sounds like too much trouble. Sleeping off that same bottle the next morning has something sordid about it, but I could *cuvier* any amount of Bordeaux with dignity.

Most of all, I miss being in a country where sleeping in after a night of the town — *une grasse matinée* after *une nuit blanche* — is not a sign of shameful sloth but a national pastime.

William Safire is on vacation. Taras Grescoe, a writer working on a book about contemporary Quebec, wrote this for The New York Times.

BOOKS

A FATAL FRIENDSHIP

Alexander Hamilton and Aaron Burr

By Arnold A. Rogow. 351 pages. \$27.50. Hill & Wang.

Reviewed by Sarah Booth

DELICIOUS appetizers abound in Arnold Rogow's fascinating book, which includes sensational sex and amorous euphemisms to rival our own. The main course offers new political parties, allegations of treason and fraud, constitutional controversy, duels, conspiracies and rumors.

Rogow, a political scientist and author of six earlier books, writes evenhandedly about both Alexander Hamilton and Aaron Burr, dutifully quoting contemporaries who knew them, as well as historians favorable to each. Still, his sympathies seem to lie with Burr. (Mine, too, bolstered by Hamilton's presumptuous and uncouth letters in the University of Virginia's George Washington papers.) But Hamilton's reputation persists, Rogow admits, thanks to "his writings and services in the public interest... far exceeding those of Burr and surpassing any other contemporary."

Hamilton, a monarchist at heart, edited and wrote a third of the 1788 Federalist Papers, was instrumental in the ratification of the Constitution and in establishing a federal government. He became the first secretary of the Treasury and founded the first federal bank. Burr earned his highest post in 1801: vice president to Thomas Jefferson.

The author submits that the two had many similarities, both in appearance and desires, though their different heritages probably were the source of Hamilton's envy and animosity.

Hamilton was illegitimate, the son of a West Indies mother accused of "whoring," and a father of unsure identity. Rogow dismisses the old rumor that Hamilton was George Washington's son; unlikely because Martha had

four children by her first husband and because smallpox in his youth appears to have rendered Washington sterile. Burr, "son of a mother and a father of impeccable reputation and comfortable means," graduated from the College of New Jersey in Princeton. Hamilton's application to Burr's college was rejected. Burr's Quebec exploits, among many martial successes, made Hamilton feel cheated, and being Washington's Revolutionary War aide-de-camp kept him from the chance to win battlefield glory.

Be warned: "A Fatal Friendship" is no one-night read, and is slowed by irresistible temptations to consult the five-page bibliography, 12-page index and 44 pages of notes. The text proper contains page after page of poignant, hilarious and revealing quotations and meditations. A small sample:

Rogow believes John Adams meant Hamilton when Adams said that a leading political figure suffered from "a superabundance of sensations... he could not find whores enough to draw off."

A Burr anecdote cites his

retort that "when a woman does me the honor to name me as the father of her child, I trust I shall always be too gallant to show myself ungrateful for the honor."

Excerpts from Hamilton's love letters to various women made me wonder how he found time to write the "Federalist Papers," or, as is alleged, Washington's farewell address. Several letters aim at keeping his wife Betsy in Albany, instead of joining him in Philadelphia. Others were written to Betsy's sister, Angelica, who was in England with her husband. These entanglements were not without consequences: What Hamilton called his "amorous connection" with Maria Reynolds, a Philadelphia married woman, resulted in a near-duel with James Monroe, who was rumored to be involved with Maria. Burr was peace-maker in that instance.

Beginning in 1791, Maria's husband, James Reynolds, blackmailed Hamilton for half of his annual salary. Reynolds also charged that Hamilton made "several very improper transactions" as secretary of the Treasury. James T. Callender, a vicious character assassin journalist, published letters and receipts from both Reynolds, which were then offered as evidence by Hamilton. Burr was Maria's attorney in her divorce suit, causing Hamilton to suspect an affair between the two. In 1804, the infamous Hamilton-Burr duel was said to be triggered by an unforgivable insinuation (never revealed, but thought by some to be incest) about Burr and his much-beloved daughter, Theo.

Rogow cites Henry Adams's view that Hamilton suffered manic depression following his son's death, his daughter's insanity and the decline of the Federalist Party. He may have deliberately forfeited his life at Burr's shot to cause him to be charged with murder.

Allegations against Burr of treason and conspiracy, his vindication, marriage to and divorce from Madame Eliza Bowen Jumel are briefly noted. As Burr said, "slander has slain more than the sword." Or as Andrew Jackson put it, "Hamilton dead would prove a much more dangerous enemy to him than he ever could have been alive."

Washington Post Service

BRIDGE

By Alan Truscott

THE World Mixed Pair Championship, was the opening event of the 1998 world championships in Lille, France. It was won by Antonio Vivaldi and Enzo Rossano of Italy. The runners-up were Marc Bompis and Claude Blouquit of France, with two Danish experts, Jens and Sabina Auken joining in third.

In the World Par competition the winner was Michael Rosenberg of Tuckahoe, New York. Two other American experts, Bart Bramley of Chicago and Eric Rodwell of Naperville, Florida, finished second and third. The winner won a prize of \$35,000.

In the diagramed deal from the Mixed Pairs, two American pairs were in opposition. Dan Morse, sitting East, bounced into six no-trump after his left-hand opponent, Fred Stewart, opened an extremely weak weak-two-bid in spades and Joan Morse had overcalled in hearts. This would have succeeded, since the declarer only loses a heart trick.

However, the North player, Marjessa Ledzia, ventured seven spades. Now the question was, how many down would seven spades go? Stewart lost six tricks: two trumps, two clubs, and one in each red suit. That was a penalty of 1400, just slightly better than the score 1440 that East-West would have collected in six no-trump. That would not be important at imp scoring, but it was decidedly profitable at match-points scoring.

NORTH
♠ K 9 7 5 2
♥ 9 8
♦ 10 8 6 5 3
♣ K 8

EAST
♠ A Q 3
♥ A Q 4
♦ J 7 4
♣ A 3 7 4 2

SOUTH (A)
♠ J 10 8 6 4
♥ K 8 5 2
♦ 9
♣ A 10 8 3

West led the diamond king.

CROSSWORD

ACROSS

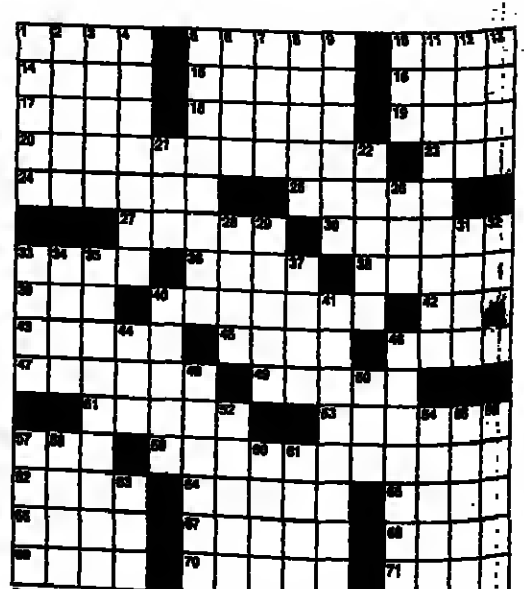
- 1 Toasted sandwiches, for short.
- 2 Politician Alexander.
- 3 Very funny one.
- 4 Dublin's land.
- 5 The "I" in "The King and I".
- 6 Send out.
- 7 Suppers.
- 8 Hoof it.
- 9 Agitated.
- 10 Cautious substance.
- 11 Mrs. Kowalski, in "A Streetcar Named Desire".
- 12 Half-of-Farmer Yogi.
- 13 1950's car with a home-coller grille.
- 14 Yek, yek, yek.
- 15 Buttocks.
- 16 "The Wind in the Willows" character.
- 17 World leader who gave his name to a jacket.
- 18 Zlich.
- 19 Browbeat.
- 20 Tires to the Loop.
- 21 Bring out.
- 22 Fodder holder.
- 23 Lops sleep (over).
- 24 Harbor a grudge about.
- 25 Frisco glider.
- 26 Softens, with "down".
- 27 Golf shoe features.
- 28 Word repeated in "Does... or doesn't...?"
- 29 Agitated.
- 30 Prayer receiver, with "the".
- 31 Sweater size.
- 32 Neck hair.
- 33 Comply.
- 34 Turn outward.
- 35 Tormis of the 60's-70's Mets.
- 36 Portland.
- 37 "Walk Away" (1985 hit).
- 38 Brains, socially inept sort.

Solution to Puzzle of Sept. 4

TRINKET SALTPHORE
HORSE ALPAPHO
ENCLOSURE UBANGI
NEA LETTERS AHS
LEGIT SHAY ECHO
LED TO EYES GLEAN
OBSTINATE RETREATS
ECHO LALIC
GARNERED BETCHA
IRONS WET GROAN
NAME LELA ORBO
FLU OUSKIN RAO
ISLETS TENACITY
ZEALOT SIGNED IN
ZANIES NEONATE

DOWN

- 1 Strengthens, with "up".
- 2 See 56-Down.
- 3 Said too often.
- 4 Pays, as a bill.
- 5 Chew out.
- 6 Have — in one's bonnet.
- 7 Castle defense.
- 8 Wing it, speechwise.
- 9 Visited again (over).
- 10 Agitated.
- 11 "Members —".
- 12 Give's partner.
- 13 Long in the tooth.
- 14 Guzzled.
- 15 I-65, e.g.: Abbr.
- 16 Seemingly forever.
- 17 Rabbit fur.
- 18 Writer — Stanley Gardner.
- 19 Reddish-brown.
- 20 Lulu.
- 21 Candy stripper, e.g.
- 22 Agitated.
- 23 Takeout lunch provider.
- 24 Redhead's secret, maybe.
- 25 Basement-floor material.
- 26 Corp. numero uno.
- 27 One released from bondage.
- 28 Bank employee.
- 29 Antlered animal.
- 30 Work like a dog.
- 31 "It ain't broke, don't fix it," e.g.
- 32 Radio part.
- 33 With 2-Down, 65 miles per hour, say.
- 34 Hardly a neotek.
- 35 Tramp.
- 36 Songbird.
- 37 Fearsome one.
- 38 Hair coloring.



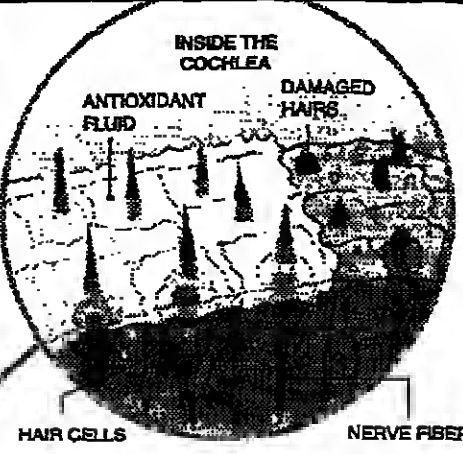
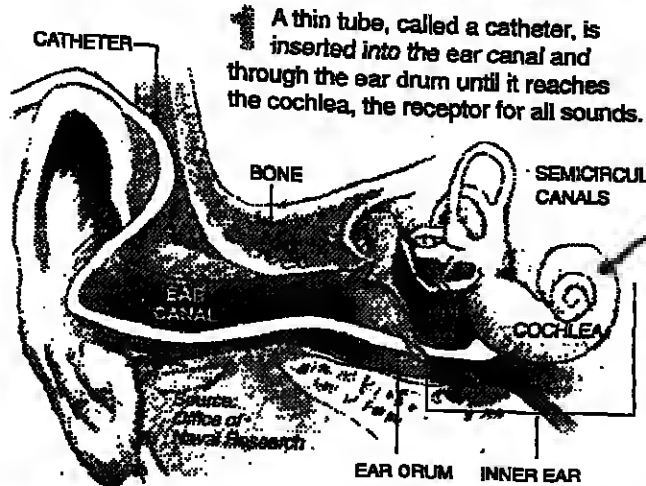
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HEALTH/SCIENCE

Damaged Ear on the Mend

U.S. Navy researchers have developed a new treatment to repair the tiny hair cells in the inner ear that transmit sound to nerve fibers and create an individual's sense of balance.



1 A thin tube, called a catheter, is inserted into the ear canal and through the ear drum until it reaches the cochlea, the receptor for all sounds.

2 An antioxidant drug is delivered through the catheter to the base of the cochlea, where it passes through the membranes to reach the damaged hair cells.

3 Inside, the antioxidant neutralizes free radicals, chemicals that harm cells, allowing the damaged hair cells to heal more quickly.

Jim McManus / NYT

Fighting the Deafening Din

New Treatments May Restore Delicate Hearing Cells

By Warren E. Leary
New York Times Service

WASHINGTON — The world is awash with noise, an endless banging, ringing, thumping and clanging that not only annoys but also steals. The deafening din slowly takes away the hearing of many and, in cases of enormous assault, can result in deafness within days.

But researchers say they are making progress against noise-induced hearing loss and have begun testing treatments that may be able to rescue hearing in ears damaged by unusually loud noise.

Military researchers say they have developed a technique that may be able to restore health to delicate cells within the ear that are often irreparably damaged or killed by excessive noise. It may also be possible, they add, to develop drugs that can be taken in advance to protect against damaging sounds.

"Our early results are exciting and encouraging, but also very preliminary," said Colonel Richard Kopke, a physician with the Army Medical Corps. "Our work with animals is very promising, but we've just begun human testing."

Colonel Kopke and colleagues at the Defense Department's Spatial Orientation Center, a treatment and research facility for all the services based at the Naval Medical Center in San Diego, have devised a way to place miniature catheters deep into the ear and dispense medicine in the exact place it is needed.

Using this approach, tested extensively in guinea pigs and chinchillas, Colonel Kopke's group treats delicate hair cells within the ear, key components in sound detection, with antioxidant drugs to counteract toxic compounds generated by injury. If treated in time, the researchers say, these sensitive cells — which the body cannot replace — can be saved before there is permanent hearing loss.

The researchers have tested the therapy on three patients, with apparent success in all of them. Within the next six months, they hope to treat 50 more.

The military is interested in treating hearing and other ear problems that can affect balance and orientation, at least in part because of the high price — an estimated \$1.5 billion a year in compensation, retraining and equipment costs — stemming from these disorders.

Loud noises produced by artillery, jet engines and shipboard machinery all contribute to the hearing problems that affect more than 11 percent of members of the armed services, the military says.

Jochen Schacht, a pioneer in the treatment of hearing loss who works at the Kresge Hearing Research Institute at the University of Michigan in Ann Arbor, said the military researchers had a solid scientific basis for their technique. "The approach of using antioxidants is not new," he said, "but the combination of the technique and the antioxidants is unique here."

Leonard Rybak of Southern Illinois University Medical School in Springfield called the technique "a good approach with a rational basis." Dr. Rybak, whose own research involves finding ways to keep the widely used anti-cancer drug cisplatin from damaging patients' hearing, said it had recently become apparent that many of the things that injure the inner ear could have a common destructive mechanism — the production of toxic free radical oxygen compounds, known as free radicals, which antioxidants are designed to counteract.

Free radicals are unstable, electrically charged molecules that are highly reactive with other substances. Free rad-

icals of oxygen, formed briefly in most natural chemical reactions with oxygen, set up chain reactions in the body as they interact with other molecules, and that process can damage cells and even the genetic material they contain.

Research now shows that drugs that can damage the inner ear — including cisplatin and the aminoglycoside family of antibiotics like streptomycin and gentamicin — do so, at least in large part, by causing the production of harmful free radicals. And the pressure and vibrations generated by loud noise can damage cells in the ear, causing them to generate free radicals that cause further injury and cell death, experts said.

Colonel Kopke's work, which is supported by the Office of Naval Research, involved threading a tiny catheter through the outer ear, under the ear drum and up to the membrane at the end of the cochlea — a fluid-filled, snail-shaped structure in the inner ear that contains thousands of hair-like cells. The pressure of sound waves on the cochlea membrane sends vibrations through the fluid, moving the hairs and sending signals that eventually travel through nerves to the brain.

Prescription antioxidants then are delivered through the catheter, allowing the hair cells to receive an effective dosage, the researchers said. If the drugs were given orally or through injection, the rest of the body would have to endure large doses of the drugs for a sufficient level to reach the ear. And many of these drugs have damaging side effects in large doses, they said.

The catheter can be left in place so that medicine can be administered every two or three days for two weeks, or the catheter can be hooked to a small automatic pump, attached to the patient, that can dispense a daily infusion of the drugs.

Lieutenant Commander Michael Hoffer, a navy doctor who works with Colonel Kopke, applies a different twist to the catheter technology to treat a condition called Meniere's disease, an inner ear abnormality whose symptoms include vertigo or severe dizziness and ringing in the ears. He puts toxic antibiotics into another part of the ear to destroy a different type of hair cell involved in Meniere's disease.

As an alternative to surgery, Lieutenant Hoffer and colleagues are using the new system to selectively kill cells that produce excess fluid in the ear that contributes to symptoms of Meniere's disease, as well as certain balance cells that send signals to the brain. In tests on 18 patients, the researchers said they were able to reduce symptoms in most of the patients without invasive surgery.

Colonel Kopke said he had tested a number of prescription antioxidant drugs approved for other uses to treat hearing loss, including some that scavenge up free radicals and others that cause the body to produce more of certain enzymes that are natural antioxidants. Some of these drugs can also remove some of the body's excess iron, which can encourage the production of free radicals.

A main goal of the research is to develop oral medicines, probably new types of antioxidants, that can be taken before or after hearing dangerously loud noises.

Colonel Kopke acknowledged the possibility of abuse if scientists developed a drug that protected against hearing loss caused by noise. "This is not meant to be a substitute for common sense or using mechanical hearing protection when needed," he said. "I don't want people to say, 'I'll just pop a few pills and turn my amplifier up.'"

This is not meant to be a substitute for common sense or using mechanical hearing protection.

Sea Explorers Aim for a New Low

By William J. Broad
New York Times Service

WOODS HOLE, Massachusetts — The sea has millions of dark secrets. And now, a famous explorer is to illuminate more of them.

For more than a third of a century, Alvin, the world's first craft to roam the abyss with relative ease, has been ferrying American scientists into the planet's sunless depths and racking up a staggering record of discoveries, including dark ecosystems that, with riots of tube worms and other bizarre creatures, rival rain forests in richness.

But the plucky, white, 25-foot-long (7-meter) craft has its shortcomings. Most notably, it can plunge down only so far without the deep's pressures suddenly crushing its crew capsule (and three occupants). For dives, the safety limit is 2.8 miles (4.5 kilometers).

That distance is little more than the sea's average depth and far short of its deepest spot, seven miles down, much lower than Everest is high. The upshot is that a large part of the seabed, with its dark recesses and riddles and perhaps even a den or two of undiscovered monsters, is out of Alvin's reach. Off limits is an area larger than Asia.

But now, Alvin is getting a major overhaul that may extend its reach and allow it to match and possibly even surpass newer submersibles abroad, making it the world leader.

In a remarkable bonanza from the end of the Cold War, the Woods Hole Oceanographic Institution, which runs Alvin, has just received from the U.S. Navy a submersible known as Sea Cliff, which has been decommissioned after military outposts and changing priorities.

Woods Hole and its federal patrons have insufficient money to run Sea Cliff, designed for military work, as a separate vehicle. But Woods Hole is happy to cannibalize its parts to improve Alvin, a process now getting under way. The trove is rich. Alvin cost about \$50 million, and Sea Cliff about \$200 million.

The crown jewel of Sea Cliff is its crew capsule. The walls are made of a thick layer of super-strong titanium that can withstand pressures down to depths of 3.8 miles. So Woods Hole is now studying whether the capsule can be transferred to Alvin, a move that would extend the reach of the tiny submersible by a full mile.

"We have a responsibility to make sure it's the best," said Robert Gagosian, the director of Woods Hole.

Eager to push even deeper and capitalize on the politics of the moment, the institution is seeing whether further strengthening would allow Alvin to plunge down to depths of 4.3 miles deeper than any of the rival submersibles operated by Russia, France and Japan.

"We've been the leaders in exploration," Mr. Gagosian said. "In order to continue that tradition, we need to have the deepest-diving submersible. It's that simple. We want to lead."

Scientists say major questions of geology, biology and even archaeology now lie beyond Alvin's current reach, not to mention the unknown.

"There's important science to be done" in the sea's deeper regions, said Daniel Fornari, head scientist for the deep submergence program at Woods Hole. "It's such a compelling part of the planet. We've got this sitting in our backyard and we know so little about it. It's ridiculous."

Over the decades, Alvin users have been the first to glimpse the seabed's dark ecosystems, its hot chimneys, its cold seeps, its rocky chains of mountains longer than the Andes and its lost human worlds, such as the Titanic. The explorers have also brought to light thousands of new species of animal life, including slimy things seemingly fit for monster movies.

This record of excellence is causing some of the submersible's users to view any renovations warily.

Overhaul of a U.S. submersible could shed more light on depths.

"One thing is clear," said Richard Pittenger, head of marine operations at Woods Hole. "We don't want to screw up the reliability in the process of trying to make the submersible better."

When Alvin was first proposed by Woods Hole in the 1960s, it was considered a curiosity. Most military officials and scientists of the day cared little about people exploring the deep. No regular navy contractor wanted the job. So the submersible was built by General Mills, the maker of breakfast cereals.

The situation changed after a navy submarine, the Thresher, sank with 129 men in 1963. Its wreckage remained lost for months. In the catastrophe's wake, the navy decided to throw itself into mastering the abyss.

No expense was too great. The navy built two Alvin look-alikes, Sea Cliff and Turtle. Both were heavier and faster than their forerunner. Eventually, in 1984, Sea Cliff dove much deeper, with its stronger crew capsule.

But foreign submersibles began to rival Sea Cliff's maximum depth of 3.8 miles and to make new discoveries.

In 1990, the Japanese pulled ahead with a new submersible that plunged down four miles. Woods Hole scientists looked on sheepishly in 1994 as the Japanese submersible, Shinkai 6500, set an Atlantic depth record.

The 31-foot-long Japanese submersible is still unrivaled.

Such competitive pressure is one reason Woods Hole is eager to have Alvin go deeper. The more important reason is raw knowledge.

Scientists say the inky deep is not only inherently provocative but important to understand if people are to be good planetary stewards. It is the Earth's largest habitat, containing, by some estimates, 97 percent of the space inhabited by living things.

It is also the planet's lifeblood. Its voluminous waters supply vital elements that sustain life on the surface and regulate planetary heat flow, keeping the land temperate.

Geologically, the deep is the planet's most dynamic feature, the place where huge slabs of crust are created and destroyed. About 90 percent of the Earth's volcanism happens undersea.

Mr. Gagosian, the Woods Hole director, said a deeper-diving Alvin could better study these cauldrons, which also support lush ecosystems and are suspected of being the place where life arose four billion years ago.

A deeper-diving Alvin, he said, could not only explore the sites directly but could wire the ocean with sensitive detectors meant to track distant earthquakes. A great opportunity for such wiring lies in old telephone cables that crisscross the sea's abyssal plains, Mr. Gagosian said.

This month, one such cable between California and Hawaii is to be lifted from a depth of 3.1 miles and fitted with geologic detectors — an oceanographic first. A deeper Alvin could service such devices, eliminating the need for lifting the cable, which is a risky job.

A deeper Alvin would also be able to visit more of humanity's lost worlds. The luxury liner, Titanic, resting at a depth of more than two miles, is now within Alvin's reach and was visited in 1986 by the tiny white submersible, but thousands of other wrecks lie deeper.

One is the L-52, a Japanese submarine sunk in World War II while carrying a shipment of two tons of gold, 146 bars of it packed in metal boxes.

Discovered in 1995 more than three miles down on the Atlantic abyssal plain, the L-52 wreckage is now slated for further exploration as the salvage team searches for vehicles than can go that deep.

ITS of Sea Cliff are already being transferred to Alvin. The first to go was the military submersible's digital sonar.

Barrie Walden, manager of deep submergence at Woods Hole, said incorporating Sea Cliff's crew capsule into Alvin might cost \$15 million, a sum as yet unapproved by federal planners. He said the upgrade could be done during the sub's next major overhaul, which is scheduled for the end of 2000, allowing it to start the new millennium on an auspicious note.

With Alvin diving to depths of 3.8 miles, the region outside its reach would shrink dramatically, contracting from something larger than Asia to the size of Europe.

Mr. Gagosian, eager for even greater penetration of the sea's darkness, has asked Woods Hole experts to assess the feasibility of Alvin's plunging to depths of 4.3 miles. But achieving that may take more than Sea Cliff's sphere, and might cost \$100 million — big money in a field that gets about \$20 million a year in federal money.

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Continued on
Page 18



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MONDAY, SEPTEMBER 7, 1998

PAGE 13

Uneasy Split Developing With Japan

U.S. and Tokyo Far Apart
On How to Prevent Crisis

By David E. Sanger
New York Times Service

SAN FRANCISCO — The economic policy leaders of the world's two largest economies, the United States and Japan, spent hours here Friday night talking about the heightened risk of global recession and a further spread of the turmoil that has engulfed Asia, Russia and now Latin America.

But they left Saturday morning with no new plans but rather an uneasy sense that Japan and the United States remain on different wavelengths about how quickly countries must act.

The discussion over dinner on Nob Hill included the Treasury secretary, Robert Rubin, the chairman of the Federal Reserve Board, Alan Greenspan, and Kiichi Miyazawa, the former prime minister who reluctantly agreed to take the job of finance minister last month during Japan's deepest recession since the end of World War II.

At the dinner's end, U.S. officials said they feared that the leaders of Japan still did not accept the premise that the country's banking crisis and its moribund economy were a major cause of the turmoil that included a stomach-churning dive on Wall Street last week, huge market drops and instability in Latin America and deepening chaos in Russia.

The astounding descent of the ruble led the British government Saturday to announce that a meeting of deputy finance ministers from the world's largest economic powers, the Group of Seven, was planned in London, probably this week, to map out a new Russia strategy.

But in a sign of the growing split



Finance Minister Kiichi Miyazawa of Japan, left, talking with Treasury Secretary Robert Rubin in San Francisco. Alan Greenspan, right, warning of turmoil during a speech at the University of California, Berkeley.

between Tokyo and Washington, Japanese officials bristled at the mounting U.S. pressure and suggested that they were being made scapegoats. "How can Japan's recession be responsible for an economic malaise in Latin America or Russia?" asked a senior Japanese official. "Japan has been overly criticized. My concern is that if anything happens to the U.S. economy, everyone will point to Japan and say it is responsible."

The meeting took place as Mr. Rubin and Mr. Greenspan issued warnings that the world economy is in a particularly fragile state.

Only hours before the dinner, Mr. Greenspan, in a speech at the University of California, Berkeley, cautioned that "it is just not credible that the United States can remain an oasis of prosperity unaffected by a world that is experiencing greatly increased stress."

He appeared to open the door to the possibility that the Federal Reserve Board might consider a cut in interest rates if more evidence arose that downturns on three continents were beginning to stall the U.S. economy.

Mr. Rubin, in a conversation as he

flew from Washington to the meeting here, said that "these are clearly extremely difficult times in the world economy and world financial markets."

"This is an unprecedented situation in a host of respects," said the Treasury secretary, who experienced several major market drops in his 26 years on Wall Street as a trader and then co-chairman of Goldman, Sachs & Co. the investment banking firm. "The number of countries experiencing difficulties at once is something we have not seen before."

The speed at which billions of dollars that flowed into emerging economies in the 1990s have flowed out was also unprecedented. The inflow occurred, Mr. Rubin said, because "investors got progressively less rigorous about risk."

Now they see risk everywhere, Mr. Rubin said, and Treasury officials note, and rarely discriminate between countries with deep problems and those simply fighting off economic contagion.

"We are in a situation which is indeed a dangerous one, by far not fully rational," said Michel Camdessus, the managing director of the International Monetary Fund.



Alan Greenspan warning of turmoil during a speech at the University of California, Berkeley.

Speaking in Washington at the end of a meeting of Latin American finance ministers who had come to plead for relief, he said: "The degree of panic going on — this is, indeed, clearly excessive and unfair pressure on a large number of countries."

For Mr. Camdessus, that is a significant change of tone. In January, he signed an agreement in Indonesia with President Suharto that he declared would restore confidence — only to see the country dissolve into violence, economic chaos and political upheaval that forced Mr. Suharto's resignation. Early this summer, Mr. Camdessus declared that there was no crisis in Russia, and a huge one erupted within weeks.

A few months ago people were talking about seeing the light at the end of the tunnel," said Jeffrey Garten, the dean of the Yale School of Management and a former top Commerce Department official. "Now the only hope is keeping the world economy from total deterioration. And you get a sense that this is all now truly left to Adam Smith's invisible hand."

It's beyond any country's ability, any institution's ability, to control."

Latin Leaders Call for Action to Cushion Crisis

Compiled by Our Staff From Dispatches

PANAMA CITY — The presidents of 10 Latin American countries have called for urgent action to reduce the impact on Latin America of the economic crisis in Russia and Asia.

There exists a very serious worry in each of our countries from what has occurred in these past weeks," President Ernesto Zedillo of Mexico said Saturday at the conclusion of the summit meeting of the Group of Rio in Panama. "If this continues, we would be at risk of the entire world economy entering a state of recession."

Latin American heads of state signed a declaration appealing to international financial institutions and the Group of Seven industrialized nations to reflect

urgently on the crisis threatening emerging Latin American economies.

The document recommended that all emerging economies strengthen themselves through various means, including increasing internal savings and promoting long-term investment.

But it also made a clear call to such multilateral financial bodies as the International Monetary Fund and to the Group of Seven to take immediate action to fight the global economic crisis.

"It is indispensable that the G-7 countries immediately take the necessary means to restore stability in financial markets and to guarantee the growth of the world economy," the declaration said.

The Rio Group includes the Con-

tadora Group — Panama, Venezuela, Colombia and Mexico — by adding Chile, Peru, Bolivia, Uruguay, Argentina, Brazil, Ecuador and Paraguay.

Meanwhile, the International Monetary Fund's top official said he was confident that Latin American economies would continue to grow over the long term even though Asia and Russia were having an adverse effect on the region right now.

Michel Camdessus, managing director of the IMF, said if the economic instability from Asia and Russia continued to exert pressure on currency and stock markets in Latin America, finance officials in that region would have to tighten monetary policy.

Still, the IMF projected that most of

the countries in the Latin American region would expand their economies this year and would have low or declining inflation.

(Reuters, Bloomberg)

■ Brazil Sharply Raises Rates

The central bank of Brazil has raised its benchmark interest rate more than 10 percentage points to stop an outflow of capital that is reaching \$1 billion a day amid concerns that Brazil's currency will be weakened, Bloomberg News reported from Sao Paulo.

The central bank said its overnight rate, which it charges banks for loans, will rise to 29.75 percent, from 19 percent, beginning Tuesday.

The rate will remain in effect until Sept. 30.

Greenspan Issues Alert

U.S. Can't Remain an 'Oasis,' Fed Chief Warns

By John M. Berry
Washington Post Service

The chairman of the U.S. Federal Reserve Board has said that ongoing turmoil in world financial markets poses a risk to continued U.S. economic growth, and he has signaled that the Fed might cut interest rates in response.

Alan Greenspan disclosed that at a policy-making session last month, Fed officials, who had been leaning for months in the direction of raising rates to head off any increase in inflation, moved back to a neutral stance because of mounting concern about the potential impact of the turmoil on the United States.

"As dislocations abroad mount, feeding back on our financial markets, restraint is likely to intensify," Mr. Greenspan warned Friday in a speech at the business school of the University of California, Berkeley.

The United States is strong and many of the "imbalances," such as rising inflation, that usually appear in long-running economic expansions "are largely absent today," he said. But he added, "it is just not credible that the United States can remain an oasis of prosperity unaffected by a world that is experiencing greatly increased stress."

The comments were his first since a default by the Russian government on a portion of its debt two weeks ago that triggered sharp declines in world stock markets and large interest rate rises in some developing nations.

In the United States last week, the Dow Jones industrial average fell more than 5 percent for the second week in a row, closing at 7,640.25. The Dow now is down 18.2 percent from its peak on July 17 and more than 3 percent from its level at the beginning of the year. In countries such as Singapore, Malaysia, Brazil and Mexico, stock prices are down more than 40 percent since Jan. 1.

"In the spring and early summer," Mr. Greenspan said, the Federal Open Market Committee, which is the central bank's top policy-making group, "was concerned that a rise in inflation was the primary threat to the continued expansion of the economy. By the time of the committee's August meeting, the risks had become balanced, and the committee will need to consider carefully the potential ramifications of ongoing developments since that meeting."

The next Fed policy meeting is Sept. 29. Unless the world economy suffers

another shock, Fed action on rates is unlikely at that time because it may be hard to quantify those "potential ramifications" that soon. On the other hand, a grave development — such as the collapse of several large ailing Japanese banks — that posed an immediate threat in the world financial system could cause Mr. Greenspan to act using his own authority even before the meeting.

Last week a number of Fed officials who went to a conference in Jackson Hole, Wyoming, said that they no longer were thinking about raising rates but that they saw no need at that point to reduce them.

In a talk in Boise, Idaho, on Thursday, Robert Parry, president of the San Francisco Federal Reserve Bank, said, "These international problems are coming at a time when spending inside the United States is strong, so that our economy has some room to absorb a shock from abroad."

"However," Mr. Parry added, "recent financial developments in the United States and around the world raise uncertainties about whether this strength in domestic spending will continue. Falling U.S. and foreign stock markets, as well as possible effects of problems abroad on U.S. corporate profits, could restrain consumer and business spending in this country."

In his speech, Mr. Greenspan also raised the question of whether a big drop in stock prices, after several years of large increases, might have a major depressing effect on consumer spending and economic growth.

Mr. Greenspan said that the history of large changes in investor confidence "counsels caution in the current context."

"We have relearned in recent weeks that just as a bull stock market feels unending and secure as an economy and stock market move forward, so it can feel when markets contract that recovery is inconceivable."

"Both, of course, are wrong," he added. "But because of the difficulty imagining a turnaround when such emotions take hold, periods of euphoria or distress tend to feed on themselves."

Mr. Greenspan's comments suggest that he is worried about the possibility that a psychologically driven bear market could cause such a pullback in consumer spending and business investment as to put the U.S. economy into a serious slump.

Hong Kong Moves to Lift Confidence in Its Dollar

Compiled by Our Staff From Dispatches

HONG KONG — Hong Kong stepped up its battle against speculators this weekend, introducing a package of measures that go into effect Monday to strengthen its 15-year-old currency board system and make it less susceptible to a speculative attack.

Saying it "does not believe in exchange controls," the Hong Kong Monetary Authority said Saturday that the measures represented a full commitment to its currency board, under which the Hong Kong dollar has traded within a narrow range against the U.S. dollar. The steps include new rules for currency conversion and moves to bolster liquidity.

For the first time, licensed Hong Kong banks will be able to borrow from the Hong Kong Monetary Authority through a so-called discount window. The move institutionalizes borrowing from the monetary authority and makes it resemble more of a true central bank, some analysts said.

The discount window will allow banks to convert Hong Kong dollars in clearing accounts to U.S. dollars at a rate of 7.75 Hong Kong dollars to \$1, which the monetary authority intends to move to 7.80 dollars to \$1 "when market circumstances permit." The monetary authority now intervenes in the market at 7.75 dollars to keep the currency from weakening.

The discount window is intended to ensure that there will always be access to a supply of U.S. dollars in the market.

"To me, it's aimed at reassuring the banks," said John Seel of Bear Stearns Asia Ltd.

The plan comes about three weeks after the government waded into the stock market in an effort to lift prices and punish speculators betting against stocks and the Hong Kong dollar. The intervention came after shares had plunged and interest rates had soared.

The measures "will enhance the robustness of Hong Kong's monetary arrangement," said Joseph Yam, chief executive of the authority. "They should also help to reduce excessive volatility in interest rates."

"I won't say it will immediately do away with speculation on the Hong Kong dollar," said Stanley Wong, regional treasurer for northeast Asia at Standard Chartered Bank. "But I think it's pretty sure that with all these measures, the sharp moves of Hong Kong interest rates will be less likely."

But some analysts said the moves were not enough to keep speculators away from Hong Kong's markets, adding that the former British colony could not resist pressures created by Asia's economic turmoil.

Andrew Ballingall, a strategist at Schroders Asia, said that the monetary authority's changes could actually promote the perception that the currency board system is inadequate.

"It's evidence of further uncertainty and a lack of confidence in the peg mechanism," he said.

(Bloomberg, Reuters)

Financial Crises May Stall Capitalism's Global March

By Paul Blustein
Washington Post Service

WASHINGTON — As the crisis shaking the world's financial markets spreads and intensifies, signs increasingly suggest it could deal a historic setback to the advance of Western-style capitalism.

The most obvious illustration is Russia. After the virtual collapse of the country's economy last month, pro-Western forces are in full retreat and speculation abounds that socialist policies will be revived.

Another example is Malaysia, which this week effectively cut itself off from global financial markets by imposing tight controls on the flow of capital across its borders. The country had thrived over most of the past decade by welcoming investments by U.S., Japanese and European companies. But Prime Minister Mahathir bin Mohamad, furious over the selling wave that has sunk the Malaysian currency and stock market, decreed that the currency — the ringgit — could no longer be freely traded.

Even in Hong Kong, hitherto proud of its reputation as the world's most free-wheeling market, the government began a vigorous effort last month to bolster the Hong Kong Stock Exchange by using billions of dollars' worth of public funds to buy shares.

Up until a couple of months ago, the crisis appeared to be forcing economic policy in many countries in a market-oriented direction — so much so that Michel Camdessus, the managing director of the International Monetary Fund, often referred to the financial turmoil as "a blessing in disguise."

Together with his backers in the Clinton administration, Mr. Camdessus saw potential long-run benefits resulting from the Asian crisis: Even though such crisis-ridden countries as South Korea and Thailand were sinking into painful recessions, they were moving toward more Westernized, free-market models as they met IMF demands to scrap the "crony capitalism" and policies of heavy government intervention in the

economy that had undermined their long-term growth prospects.

But the words "blessing in disguise" have disappeared from Mr. Camdessus's public utterances lately, underscoring growing fears among Western analysts and officials that the crisis may prove an unalloyed curse.

"I think of it as a backlash against globalization, and you're getting more and more episodes that move down the same track that make this whole dimension of the crisis very worrisome," said C. Fred Bergsten, director of the Institute for International Economics, noting that Taiwan and Japan have also been resorting to government-backed stock purchases as their markets weaken.

Robert Zoellick, a top official in the Bush administration, said the latest developments have deepened his concerns that Washington was failing to aggressively confront the gains the U.S. system had achieved at the end of the Cold War. "Now we're moving beyond the risk of missing opportunities, to the risk of retrogression," said Mr. Zoellick, who is president-designate of the Center

for Strategic and International Studies. "In the long view, you can argue that markets and capitalism will eventually dominate because people will discover the benefits of an efficient production system. But as we saw in the 1930s, the long run can last a long time."

Remarkably few restrictions have been raised during the crisis on imports or exports of goods and services, so the dangers to capitalism should not be exaggerated. So far, most of the government interference, including Malaysia's, has been limited to the markets for money.

Throughout much of the post-World War II period, many countries — including advanced industrial powers in Western Europe — maintained controls on capital. In some ways, government intervention in the capital markets now can be viewed as an effort to correct the excesses of a decade-long experiment in which money was free to fly virtually anywhere on Earth at the touch of a computer key.

See CAPITALISM, Page 18

CURRENCY RATES

Cross Rates	U.S.	U.K.	U.S.	U.K.	U.S.	U.K.	U.S.	U.K.	U.S.	U.K.
Germany	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63
France	6.55	6.55	6.55	6.55	6.55	6.55	6.55	6.55	6.55	6.55
Italy	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36
Spain	166.37	166.37	166.37	166.37	166.37	166.37	166.37	166.37	166.37	166.37
Japan	109.28	109.28	109.28	109.28	109.28	109.28	109.28	109.28	109.28	109.28
South Korea	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80
India	47.82	47.82	47.82	47.82	47.82	47.82	47.82	47.82	47.82	47.82
China	8.27	8.27	8.27	8.27	8.27	8.27	8.27	8.27	8.27	8.27
Indonesia	1,547.80	1,547.80	1,547.80	1,547.80	1,547.80	1,547.80	1,547.80	1,547.80	1,547.80	1,547.80
Malaysia	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80
Philippines	48.35	48.35	48.35	48.35	48.35	48.35	48.35	48.35	48.35	48.35
Singapore	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36
Thailand	50.34	50.34	50.34	50.34	50.34	50.34	50.34	50.34	50.34	50.34
Taiwan	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36
U.S. Dollar	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Other Dollar Values
Currency Per \$ U.S. Dollar
Argentina peso 0.0099
Australian \$ 0.7065
Austrian sch. 13.76
Brazil real 1,274.9
Canadian dollar 0.6799
Chinese yuan 8.27
Czech koruna 20.36
Danish krone 6.46
Euro 1.63
Hong Kong dollar 7.75
Indian rupee 47.82
Indonesian rupiah 1,547.80
Italian lira 1,360
Japanese yen 109.28
Korean won 180
Malaysian ringgit 3.80
Mexican peso 16.63
New Zealand dollar 1.36
Norwegian krone 4.76
Polish zloty 48.35
Portuguese escudo 200.48
Romanian leu 16,667
Saudi riyal 3.75
Singapore dollar 1.36
South African rand 13.76
South Korean won 180
Spanish peseta 166.37
Swedish krona 4.76
Swiss franc 1.63
Taiwan dollar 1.36
Thai baht 50.34
Turkish lira 1,547.80
U.S. dollar 1.00
U.K. pound 0.67
Vietnamese dong 200.48
Yugoslavian dinar 13.76

CYBERSCAPE

Investors Review the Pains and the Pluses of Trading On-Line

By Amy Harmon
New York Times Service

NEW YORK — Like many other investors, Allen Page, a packaging salesman in Pasadena, California, had a bad week last week. But if not for his cellular phone, his laptop, his Internet account and a pager-like device that receives stock prices, it could have been worse.

Wielding his portable electronic arsenal, Mr. Page said he had limited the damage by exercising options on beaten-down stocks, sometimes trading from the shoulder of the freeway with his laptop plugged into his cell phone.

he is hooked up on the Internet," he said, "and I can walk in the office and ask them the price of a stock, and they'll tell me what it is."

"It's scary," he added. "It wasn't like that a year and a half ago."

Most investors who track the movements of their stocks on the Internet — about 3 million people now have on-line brokerage accounts — are enthusiastic about the virtues of expanded access to information.

But in a time of market volatility, some on-line investors warn that such close contact with the ups and downs of a portfolio can have an emotional effect that is not always beneficial to strategic reasoning.

Investors who are on-line trade more often than those who are not, for example. According to E*Trade Group Inc., the on-line brokerage firm, its customers average 25 trades a year, far more than the

typical customer of a full-commission brokerage firm, who trades once or twice a year, or customers of a discount brokerage firm, who trade four to six times a year.

Part of the reason is that on-line brokerage firms typically charge much lower commissions than traditional ones.

But even for investors who trade through human brokers, monitoring a stock in real time on-line can induce decisions more hasty than wise.

"There's just something about watching it live, where you feel an immediacy and an urgency to do something, more than if you came home at the end of the day and looked at it in the paper," said Jeffrey Mitchell of Connecticut, who said he had lost money by not waiting an extra hour to see what happened to a stock.

Mr. Mitchell runs a software company and calls his broker when

he sees opportunities on-line. In addition to hair-trigger trading, the Internet offers investors another double-edged sword: on-line discussion groups.

Many "tips" posted on-line have been exposed as erroneous or even fraudulent. But there is a subtler danger: the psychological attachment, or aversion, an investor can develop for a stock that is the subject of debate on financial World Wide Web sites like Silicon Investor or the Motley Fool.

"When you buy a stock and talk about it on Silicon Investor, it becomes more than just a stock," Mr. Mitchell said. "You become polarized on the Internet, and then you feel, by selling or shorting, you are giving in to the dark side."

Still, he and others said they found that on-line discussions bolstered their confidence about investment choices. And soaking in the rhythm of the market through

cyberspace clearly gives individual investors new ways to participate directly in the market.

Kathy Levinson, president of E*Trade, attributed some of the intraday volatility seen in the market early last week to the ability of on-line investors to react swiftly to the market's gyrations.

"There's more confidence and comfort when you can see your stock and watch it move," Ms. Levinson said.

"People can misuse their freedom," said Tom Gardner, co-founder of the Motley Fool. But the long-term benefit of knowing more, he said, "far outweighs the effect of a person who sees they're down 12 percent and makes a foolish decision."

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CAPITAL MARKETS ON MONDAY

Top-Notch Borrowers Still Find Buyers, Even as Others Feel Squeeze

By Carl Gewirtz
International Herald Tribune

PARIS — Despite the continuing turmoil in world credit markets, Fannie Mae was able to raise \$2 billion last week through a global offering of five-year notes.

The success of the offering illustrates the so-called flight to quality as investors continue to flee risky markets for the perception of safety offered by borrowers like Fannie Mae, the U.S. government-chartered home mortgage lender. But in that flight, even the debt of Fannie Mae, with its triple-A credit rating, has been unable to keep up with the U.S. Treasury bond market. Strong demand for government bonds has driven up prices, sending yields, which move in the opposite direction, to record lows.

As a result, the interest-rate differ-

ential, or spread, between the yield on Treasury bonds and the yield on Fannie Mae debt has widened sharply since before the crisis began. But for other borrowers, the spread — and thereby the relative cost of borrowing — has increased even more dramatically.

The \$2 billion worth of Fannie Mae bonds were offered at an interest rate of 4.5 basis points, or hundredths of a percentage point, more than that of the comparable five-year Treasury note.

That is the widest spread Fannie Mae has paid since it began keeping records on spreads in 1990. A year ago, when Fannie Mae sold \$7 billion worth of five-year notes, they were offered at only 18 basis points above the corresponding Treasury.

But using swaps — customized securities that allow parties to hedge their financial risks — Fannie Mae was able

to keep the total cost of the latest borrowing in line with its usual target.

Bankers said the ease with which the \$2 billion issue was sold demonstrated that even amid the global financial crisis, cash was available for the highest quality borrowers and for large issues like Fannie Mae's, which offer greater liquidity, or ease of trading.

More than half of the \$2 billion worth of notes was sold to investors outside the United States. Almost a quarter went to Europe, and nearly a third went to Asia. U.S. sales amounted to only 43 percent.

Also braving miserable market conditions, Austria issued \$750 million worth of five-year notes denominated in European currency units. These notes, like previously issued Austrian notes denominated in schillings, Deutsche marks and guilders, will be converted into euros when the common currency is

started next year. Then, Austria will have a total five-year issue of 5 billion euros, large enough to serve as a borrowing benchmark.

This week, bankers expect the European Investment Bank and the Federal Home Loan Bank to tap the market.

Critical measures of the capital markets were registering less turmoil last week than in the previous week but remained at crisis levels.

J.P. Morgan's Emerging Market Bond Index, the best measure of borrowing costs for Latin American governments, ended the week at 1.475 points, representing a yield spread on sovereign Latin American debt of 14.75 percentage points over U.S. Treasury levels. That was down from a high of 15.85 points but compared with a spread of just 3.70 percentage points a year ago at this time.

Within Europe, spreads between the yields on different countries' government debts remained high.

Yields on Italian government debt denominated in lire hovered at 47 basis points over yields on German government paper, up from 25 basis points before the crisis but down from near 60 basis points a week earlier.

The wide spread reflects a shift in tensions to the asset markets from the foreign-exchange markets, where rates have been virtually locked for the currencies scheduled to be phased out in favor of the euro.

The global financial crisis has also resulted in wider-than-normal spreads for some U.S. corporate borrowers. Ford Motor Co.'s 10-year debt is quoted at 120 basis points over Treasury levels, up from a spread of 80 basis points before the crisis began.

Japanese borrowers have been badly hit, and borrowing costs have risen sharply even for issues carrying a government guarantee.

The volatility of the situation has resulted in giant losses at hedge funds, banks and other financial intermediaries.

While such organizations typically insulate their portfolios against an outright change in interest rates, they are often exposed to changes in the spreads between rates, which had been expected to remain stable.

At current levels, said Jan Loeys at J.P. Morgan in London, spreads in bond markets are at levels that anticipate a global recession.

He is focusing on developments in stock markets to try to confirm the gloom in the credit markets or to challenge that perception.

Most Active International Bonds

The 250 most active international bonds traded through the Euroclear system for the week ended Sept. 4. Prices supplied by Reuters.

Rank Name Cpn Maturity Price Crt Yld

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Safe, Comfy, Boring — and Trendy

Investors, Spooked by Stocks, Are Pouring Money Into Bonds

By David Segal
Washington Post Staff Writer

NEW YORK — When stocks were soaring, plenty of investors considered bonds the financial equivalent of a four-door sedan with dual air bags: safe and comfortable, but a bit boring. Now that trend of dullness is downright chic.

Billions of dollars are pouring into bonds and bond mutual funds, analysts say, as people seek refuge from a stock market that has been rolled in recent months and wallowed in recent days.

At T. Rowe Price Associates Inc., cash flowed into bond funds during the first eight months of this year at double the rate of 1997.

Meanwhile, investors have snapped up so much Treasury debt that yields — which drop when bond prices rise — are near their lowest levels in nearly three decades.

Bonds have a place in just about every investor's portfolio, advisers say, because they are less volatile and more liquid than stocks, and they offer protection of principal during market downturns and provide a fixed flow of income. Although those income flows have slowed to a trickle — the benchmark 30-year Treasury bond yields only 5.29 percent, for instance, compared with 5.35 percent a week ago — that might sound like a torrent to anyone whose shares have fallen by 20 percent to 30 percent in the past month.

Relatively anemic yields are just one reason financial planners worry about investors boarding the "flight to quality" for the wrong reasons. Many investors have been spooked by talk of a bear market and want to sell off stocks to forestall greater losses. Such fear-inspired switching can be hazardous, said Harold Evensky, a financial planner in Coral Gables, Florida, and in recent weeks he has talked more to a few clients out of it.

"If you buy bonds because the stock market is down, you're going to lock in your losses and get the worst of both worlds," Mr. Evensky said. For all but

the most jittery and sleepless of clients, he has been counseling a hang-tough approach to capture the next stock price rise.

But analysts cite one reason to buy bonds: During the past four years, many investors have discovered that rising stock prices have lifted the percent of their portfolios dedicated to equities. People who intended to keep 30 percent of their funds in bonds, for instance, could find that the bull market has unilaterally rejiggered their holdings by raising their exposure to stocks.

So if the stock market's drop has out already done it, financial planners say that adding bonds to balance asset allocations is a fine idea. In general, the

U.S. CREDIT MARKETS

older an investor gets, the less risky his or her portfolios should be, with more bonds providing greater stability. The standard rule of thumb is to hold the same percentage of bonds in your portfolio as your age, though that is a little conservative for the tastes of many advisers.

"There's nothing wrong with a guy in his twenties being 100 percent invested in equities," said Dennis Gurtz, a financial planner with American Express Co.

Treasury bond fever got started a few months ago when worries about Asia and some less-than-stellar corporate earnings reports caused jittery investors to flee stocks and head for the tall grass of government-backed securities. The rally, however, did not carry over to other fixed-income markets, and that has created some interesting opportunities for investors willing to shoulder a little more risk.

Worried that the economy would slow and that corporate earnings would be weak, traders have sent prices of high- and low-grade corporate bonds sliding down, which has raised their yields. The upshot is that the gap in yields between corporate bonds and

Treasury securities is as wide as it has been in seven years. Since few analysts see a recession on the horizon, the usual scenario where such gaps appear, many say that corporate bonds look irresistible.

Low-grade corporate bonds — called junk on Wall Street — offer the greatest potential rewards, but their prices have eroded in recent weeks, and Rich Stevens of Vanguard Group suggests that investors approach that market with extreme caution.

"There's always the possibility that these companies will default," he said. "If the whole point of bonds is to throttle back risk, then low-grade corporate bonds might not make sense. Why not just invest in equities?"

Another option for investors is municipal bonds, known as munis, which are exempt from federal tax. The market this year has been flooded by municipalities rushing to take advantage of low interest rates by refinancing their debt. Foreign investors, who do not benefit from the tax-free status of municipal bonds, avoided these and bought Treasury securities instead. The result: a glut of supply and a drop in prices for munis.

The good news for bondholders of all kinds is that inflation — the enemy of all creditors and therefore the nemesis of bond markets — is expected to hold steady at 1.5 percent for the coming year. So returns on Treasury bonds, once adjusted for inflation, should hover near 4 percent. That is high by recent historical standards, said William Gross, chief investment officer of Pacific Investment Management Co.

There is less unanimity about the future of the other key determinant of bond prices: interest rates. The lower they go, the higher bond prices rise. Some observers say that the stock drop will cause the Federal Reserve to cut rates to stimulate the economy. Others are forecasting a cut, but not enough to make Treasury bonds a terrific value in the near term.

No Slowdown in Sight for Government Bonds

LONDON — Major government bonds, spearheaded by U.S. Treasury bonds and German Bunds, should continue to forge ahead amid no sign of letup in the global emerging-market crisis, analysts say.

But there is scope for a substantial, albeit temporary, correction until stock markets start falling in a big way again or there is strong evidence that the world economy is slowing down.

Already, bond markets have shed the risk of interest rate rises in the United States or in Europe, but any prospects for rate cuts need to be confirmed by economic data.

"You should still be long bonds,"

said Adam Beaudin, a Credit Suisse First Boston strategist in Zurich, "using dips to increase exposure and use any upturns in stocks to do more shifting out of stocks and strengthen into bonds."

"There are many potential things that could go even worse for the world economy to slow," Mr. Beaudin said. "Or even if they don't, we think growth is slowing anyway."

Last week, the emerging market crisis deepened, with Russia in political and economic chaos, Malaysia introducing strict capital controls and Latin American currencies and stocks succumbing to pressure.

The general consensus is that the U.S. Federal Reserve Board will cut

interest rates by the end of the year in an attempt to avert global recession.

But Hans Tietmeyer, president of the Bundesbank, dampened growing expectations of a cut in German rates, saying Friday that such a move was unwarranted and would obstruct European monetary convergence.

The present environment is too fragile for adventurous investments, analysts say, even though widening spreads — the differences in yields — between core and peripheral bonds and between government and corporate debt may look tempting.

Some analysts said that if stocks start to rebound convincingly, there could be a sharp correction in bond prices.

The Week Ahead: World Economic Calendar, Sept. 7-11

A schedule of this week's economic and financial events, compiled for the International Herald Tribune by Bloomberg Business News.

	Asia-Pacific	Europe	Americas
Expected This Week	Beijing: China Computerworld Expo, Beijing & Networking China '98, IDG World Expo (Asia). Tuesday through Saturday. Canberra: International Financial Services Association's "Winning in the New World Conference 1998." Through Tuesday.	London: Bank of England's Monetary Policy Committee to meet to set the level of benchmark interest rates. Wednesday and Thursday. Riga, Latvia: Second annual Investing and Trading in the Baltic Capital Markets Conference. Tuesday and Wednesday. London: British Retail Consortium's sales monitor report for August. Rome: Consumer price index for August. Stockholm: Unemployment data for August.	Las Vegas: Microsoft Corp.'s Business Applications Conference. Wednesday through Friday. New Orleans: Chemical Week's International Environmental Management Conference. Thursday and Friday.
Monday Sept. 7	Taipei: APEC Business Advisory Council to hold a press conference to report on its meeting. Hong Kong: Legislative Council's financial affairs panel to discuss the government's recent operations in the financial markets.		Santiago: Chilean Central Bank to report on trade balance for first half of August and money supply indicators for full month.
Tuesday Sept. 8	Tokyo: Merchandise trade balance for the first 20 days of August. Tokyo: Price Stabilization Committee to discuss telecommunications fees. Wellington: ANZ Banking Group (New Zealand) Ltd.'s survey of want ads for August.	Bern: Department for Economics and Employment to issue unemployment data for August. Prague: Consumer price index and unemployment data for August. Rome: Final consumer prices data for August.	Buenos Aires: Trade data for July. Mexico City: American Chamber of Commerce of Mexico's forum on Mexican telecommunications. Washington: Court hearing on Microsoft's motion to dismiss antitrust suit.
Wednesday Sept. 9	Manila: Center for Research and Communication forum on the electronics industry. Tokyo: Bank of Japan to issue data on wholesale prices for August.	Bratislava, Slovakia: Industrial output for July and consumer price index for August. London: Manufacturing and industrial production data for July. Vilnius, Lithuania: Unemployment data for August.	Buenos Aires: Gross domestic product for second quarter. Mexico City: Inflation data for August. Ottawa: New-house price index for July.
Thursday Sept. 10	Tokyo: Bank of Japan to issue data on bank lending for August. Tokyo: Ministry of Construction to issue data on new public-works projects for July. Wellington: Provisional overseas trade figures for the second quarter.	Madrid: Industrial production data for June. Sofia: Inflation data for August.	Washington: Durable-goods orders for August. Washington: The Labor Department to issue weekly report on unemployment claims.
Friday Sept. 11	Wellington: Food prices data for August and manufacturing data for the second quarter.	Kiev: Retail sales data for year through August. Madrid: Consumer prices data for August. Paris: Government to issue its report on the preliminary price index and current account balance for June.	Buenos Aires: Argentine Brewery Industry Association to report beer sales for August. New York: The Council of the Americas' panel discussions on the outlook for Latin American economies. Ottawa: New-vehicle sales for July.

New International Bond Issues

Compiled by Paul Floren

Issuer	Amount (\$ mil.)	Maturity	Cou. %	Price	Price and week	Terms
Floating Rate Notes						
General Electric Capital Corp.	\$275	2001	libor	100	—	Interest will be 3-month Libor. Noncallable. Fees 0.14%. Denominations \$100,000. (Merrill Lynch)
Fixed-Coupons						
Fannie Mae	\$2,000	2003	5 1/4	101.59	—	Noncallable. Floating with outstanding issue rating total to \$9 billion. Fees not disclosed. (Credit Suisse First Boston)
Rabobank Nederland	€1,000	2006	4 1/4	101.57	—	Noncallable. Fees not disclosed (Rabobank Nederland)
Austria	€1,000	2003	4.30	101.66	—	Noncallable. Fees 0.25% (ABN Amro)
Suedwestdeutsche Landesbank	€1,000	2002	3.70	100	—	Serial maturity. Issued in two tranches with second tranche of 48 million euros due 2003, paying 4.15%. Fees 1.25% (DBI Int)
Federal Home Loan Mortgage	¥41,800	1999	4.10	100	—	Noncallable. Fees 1.14% (Daher Europe)

Last Week's Markets

Stock Indexes	Sept. 4	Aug. 28	% Chg.
DJ Index	7,440.25	8,051.48	-7.46
DJ Industrials	7,440.25	8,051.48	-7.46
DJ Tech	7,440.25	8,051.48	-7.46
S&P 500	7,440.25	8,051.48	-7.46
Nikkei 225	14,042.91	13,915.63	+0.91
FTSE 100	5,167.00	5,248.40	-1.57
YSE Index	5,742.50	5,746.20	-0.07
France CAC-40	3,690.75	3,708.97	-0.49
Germany DAX	4,820.25	4,975.54	-2.47
Hong Kong Hang Seng	7,488.47	7,429.24	+0.78
World Nikkei	964.79	981.36	-

AVIATION / A SPECIAL REPORT

In Europe, Barriers To Consolidation Fall

Decision to Privatize Aerospatiale Hailed

By Joseph Fitchett

PARIS — The most important development this year for the future of Europe's aerospace industry was the French government's decision to privatize its biggest state-run defense company, Aerospatiale.

That judgement is shared by executives, government officials and analysts across Europe because the French action preserved Europe's momentum toward consolidation among the continent's myriad national military contractors.

German and British defense companies are eager to expand internationally but only with other private companies, and thus they were frustrated by French reluctance to end state ownership in this strategic sector. By last spring, speculation was rife that Bonn and London were ready to abandon their hopes for a three-way partnership with France and to proceed with a bilateral defense industrial alliance, initially by merging their aircraft manufacturers into a single binational company to build the Eurofighter.

France would have been marginalized, and Europe exposed to a civil war in armaments in which no European company would have been big enough to prevent U.S. mega-companies from picking off the continent's markets and companies.

That scenario seems less likely since the Socialist government of Prime Minister Lionel Jospin announced in late July that Aerospatiale would be privatized in January as part of a merger with Matra, a private French defense electronics manufacturer.

The French government will retain a "golden share," meaning a veto, in order to "protect the national security interest." But Matra was promised, along with its 34 percent share, management control of the new company.

Significantly, Matra is already engaged in major joint ventures with Britain's leading defense companies and with Germany's Daimler-Benz Aerospace. The choice of Matra seemed to confirm, experts said, a readiness in Paris to participate in a wave of cross-border mergers involving companies in France, Britain and Germany, the European countries with significant defense industries.

France "recognized that the nationalized status of Aerospatiale was

a factor holding up the process of restructuring the arms industries, and the new group will be a powerful partner in the future conglomerate that should combine the aerospace activities of German's Dasa, British Aerospace and both Aerospatiale and Dassault from France," said Elie Cohen, a French government specialist in industrial policy.

The aim of this vast restructuring is a European aerospace and defense company that will pool and downsize Europe's arms makers and unify its military markets. In size, a merger of Europe's top four defense contractors would surpass Lockheed-Martin, but the real challenge is competitive performance.

Manfred Bischoff, chief executive of Daimler-Benz Aerospace, says that a European manufacturer must provide the weapons that Europe needs at a cost Europe can afford. That is why he, like John Weston, the chief executive of British Aerospace, believe a European defense industry should only involve private companies without government ownership. Only then, they say, will mergers provide economies of scale as well as tough enough management to rationalize a bloated industry.

Even though the Aerospatiale deal preserved a nominal government role, European aerospace executives said they were heartened by it as evidence of a more realistic attitude in the Jospin government. Last year Thomson-CSF, the country's leading defense electronics firm, was privatized by selling it to Alcatel.

Matra, which lost out on Thomson, offers an outward-looking management that differs from the nationalistic approach traditionally associated with French aerospace. But Matra's new role will strain the resources of its owner, the Lagardere Group, which may have to sell its publishing businesses centered on Hachette.

Jean-Luc Lagardere has finally gained the industrial prominence he has long sought in French defense, but at age 71 who he has already started to hand over leadership to his son, Armand, 37.

Meanwhile, Noel Forgeard, 52, resigned last year as Matra's chief executive to take the top job at Airbus Industrie. The good news for Mr. Forgeard in the Matra-Aerospatiale merger is that his old company will now take charge of France's 37.9 percent holding in Airbus. That change



A launching of Ariane 5, part of Aerospatiale's missile program.

should smooth the process of restructuring Airbus to make it a normal commercial enterprise instead of a loose partnership among Aerospatiale, Daimler-Benz Aerospace, British Aerospace and Casa of Spain.

BRITAIN and Germany, pressing to fuse operations under an independent management, have been infuriated by a rearguard action waged by Yves Michot, chief executive of Aerospatiale, to prevent his company from being swallowed up in Airbus.

Matra executives, more attuned to British and German ways of thinking, want to push through the corporate makeover at Airbus, partly as a way of prefiguring a future European defense conglomerate.

It may take more time to digest other parts of Aerospatiale, even though Matra sees the two companies as a good industrial fit, especially in missiles. Aerospatiale builds ballistic missiles, including Ariane launchers, for the European space program. It also built France's nuclear missiles until the program was canceled. Its shorter-range missiles include Exocet. They complement the missile

work by Matra, which is stronger in sophisticated electronics and sensors.

Aircraft are Aerospatiale's mainstay. Besides Airbus, it manufactures a wide variety of civilian and military helicopters. Matra will be venturing into new territory, especially with respect to Dassault, maker of the Mirage and Rafale fighter-bombers.

Aerospatiale recently took over the French government's stake in Dassault, 47 percent of the company. Dassault is essential to Matra-Aerospatiale's strategy for negotiations on a European conglomerate with British Aerospace and Daimler-Benz, which both build combat aircraft.

While strengthening its hand, Matra could alienate its prospective British and German partners by appearing to seek a position of dominance. Despite the favorable initial reactions to the Matra-Aerospatiale merger, a Matra executive warned late last month that "there remains a risk out there, which I can't quantify but which is palpable, that Germany and Britain will fuse their defense industries in an alliance and exclude France."

JOSEPH FITCHETT is on the staff of the International Herald Tribune.

Engine Makers Feeling Heat

Drop in Demand Intensifies Competitive Pressures

By Tom Buerkle

LONDON — The business of supplying engines to the world's commercial aviation industry has always been a cutthroat one, but several forces look set to intensify the competitive pressures among the three main players.

The drop in demand for wide-body jets because of the economic crisis in Asia, the biggest market for wide-bodies, has aggravated the competition to power the Boeing 777.

General Electric Aircraft Engines, Pratt & Whitney and Rolls-Royce Plc are all believed to be losing big money in this segment, the area with the most brutal three-way competition. Some analysts question whether General Electric will stick with its GE90 engine, currently the No. 3 entrant, especially if British Airways Plc switches from the GE90 to the Rolls-Royce Trent for its latest order of as many as 52 777s.

The weakness in demand for wide-bodies also has shifted attention back to the market for single-aisle aircraft, which are expected to account for 60 percent of the 15,000-odd commercial airplanes likely to be ordered in the next 20 years. Here Pratt & Whitney, a division of United Technologies Corp., has stirred the industry by announcing plans to develop two new engines, a move that could signal the demise of its partnership with Rolls-Royce in the International Aero Engines AG consortium.

"We're not happy with our market share in the narrow-body segment," said Robert Leduc, senior vice president in charge of commercial engine programs at Pratt & Whitney.

Meanwhile, continued cost-cutting in the airline industry is pushing engine makers to improve the efficiency and reliability of their products, and to take on more of the work of servicing them. "Reliability and cost of purchase are the drivers today," said Rick Kennedy, a spokesman for GE Aircraft Engines. Airlines "want something they can just put the key in and it starts every day."

GE is pushing hard on this front. At CFM International, the joint venture between GE and France's Soema that dominates the single-aisle sector, engineers are seeking to reduce the number of engine parts and to raise fuel efficiency. The aim, said President Robert Lavie, is to lower the cost of ownership by 15 percent to 20 percent by the year 2000.

GE Engine Services, meanwhile, has built up a leading position in engine overhaul and maintenance, reflecting the increasing emphasis on service revenues at all General Electric Co. divisions. GE acquired two U.S. engine service companies last year, UNC and Greenwhich Air Services, and established servicing joint ventures with Malaysian Airline Systems and Taiwan's Eva Airways. Service and spares will be worth about \$5 billion this year, or 40 percent of total revenues at GE Aircraft Engines, with about half of that coming from services.

Pratt & Whitney also plans to have a service capability on every continent. Service revenues are expected to hit \$1 billion this year.

The competitive pressures have revived debate about potential consolidation among the big three engine makers. After all, there are only two main airframe makers left since Boeing Co.'s purchase of McDonnell Douglas.

In March, Rolls-Royce and Pratt & Whitney clashed verbally over a potential merger. Sir Ralph Robins, the chairman of Rolls, was reported as saying the company would insist on controlling any combined entity, a condition that Pratt's chairman, Karel Krapek, said would prevent any deal.

Rolls is in a position to be demanding, coming off its best year ever. It took 34 percent of the orders in the segments where it competed in 1997, up from 20 percent the previous year. It won \$4 billion of orders for its Trent 500 for the new Airbus A340, where it is sole supplier; and its BR715, built in collaboration with BMW, was chosen as the sole engine for the 717, Boeing's new entry in the 100-passenger jet class. Militarily, Rolls participates in the consortium to power the Eurofighter and is guaranteed a significant stake in the engine for the U.S. joint-strike fighter, whether GE or Pratt wins the main contract.

The market is large enough to sustain three manufacturers, what with airlines expected to order more than \$300 billion worth of engines and spares over the next 20 years, said Peter Barnes Wallace, a spokesman for Rolls. But the trend toward having one or two engine suppliers for each aircraft is likely to continue.

Pratt & Whitney, meanwhile, is struggling to regain its former dominance. It has the most engines in service — some 15,000 globally — but many of them are on old DC-9s and 727s that are rapidly being decommissioned. Pratt, like Rolls, has a 32.5 percent stake in International Aero Engines, which has sold more than 400 V2500 engines this year for the Airbus single-aisle family, the A319, A320 and A321. But that pales next to the 1,300 engine orders that CFM International projects for its CFM56, the sole engine on the Boeing 737, the world's best-selling aircraft.

Pratt has a two-pronged strategy for winning back market share, beginning with plans to develop a PW6000 engine for 100-seat jets. Mr. Leduc said the company hopes Airbus will give the go-ahead at Farnborough to a 100-seat version of the A319, creating a potential market for the engine. Pratt also has announced plans to develop a PW8000 for what it hopes will be a new generation of long-range A320s. If Airbus goes ahead with that aircraft sometime after 2000, it could force Boeing to respond and give Pratt a chance to get its engines back on the 737, Mr. Leduc said.

The strategy contains a lot of ifs, however, and some analysts doubt whether the engines will be built.

TOM BUERKLE is on the staff of the International Herald Tribune.

EU Fears Alliances Foster High Fares

By Barry James

BRUSSELS — Since the deregulation of Europe's airline industry in the spring of last year, there has been a significant impact on prices?

The answer on some routes is little or none, and prices in Europe — with the exception of charter fares — generally remain far higher than in the United States.

Concern that deregulation is not fully living up to expectations has led the European Commission, the executive body of the European Union, to turn its attention to the effect of inter-airline alliances on prices within the 15-nation community.

The problem was brought home when the presidency of the EU switched from Britain to Austria in July and commission officials found out firsthand about the high fares set between Brussels and Vienna by both the Belgian carrier Sabena and Austrian Airlines. It costs more to fly between the two cities than from New York to Los Angeles, or London to New York.

The two airlines belong to the European Quality Alliance, a group that also includes Swissair and Delta Airlines, which has an effective monopoly on the route.

Before the successive stages of European airline deregulation, Sabena and Austrian Airlines carved up the market and set fares according to bilateral government-to-government deals. In theory, deregulation should have seen them competing head-on for passengers. But commission officials say their joint membership in the alliance appears to have eroded any spirit of competition, and the effect is that fares remain as high as the market will bear.

Karel Van Miert, the commissioner in charge of anti-trust issues, recently cited the Brussels-Vienna fare rate as an example of why the commission intends to widen its investigation into the alliances in the coming weeks.

He accused the alliance of setting up a "closed shop" on some routes, and promised that his department would "pay very close attention" to the matter.

The Brussels-Vienna service also tends to be poor, as Austrian Airlines demonstrated when it left behind at Brussels airport about 30 journalists who had been invited to attend ceremonies marking the handover of the EU presidency. The reason, the airline's officials explained, is that the carrier habitually overlooks its flights. It was just unfortunate for the airline that, this time, somebody noticed.

In theory, there is nothing to stop any other airline based in the EU or the European Free Trade Area from competing on the route. In practice, said Stefan Rating, a spokesman for the commission, the barriers for entry on this, as well as on many other routes, remain high because of the shortage of airport landing and takeoff slots, the pressures on the air traffic control systems and

other factors. Mr. Rating, who travels frequently between Brussels and Barcelona, said prices on that route fell after deregulation but have now climbed back up to their old level.

One measure the commission could take on routes where it deems there is insufficient competition is to oblige existing carriers to make slots available to rivals for a limited period to enable newcomers to get established.

This was the solution it adopted recently in approving the proposed alliance between British Airways and American Airlines, which is expected to control about 60 percent of the trans-Atlantic market if it jumps the remaining regulatory hurdles. The commission said the airlines must make 267 weekly takeoff and landing slots available to rivals at London's Heathrow airport, as well as reducing flight frequencies to three American cities for a six-month period. The relinquished slots must be at convenient

Deregulation on both sides of the Atlantic has led to less rather than more competition.

traveling times, and the commission has ruled out the question of airlines selling the slots they already hold.

The commission also is concerned that airlines are using their frequent flyer programs, which have become a big business in their own right, as barriers to entry by rival carriers. In approving a link between Lufthansa and SAS, it required the airlines to open their frequent flyer benefits to rivals wishing to operate on the most important routes covered by the alliance.

Deregulation has permitted a number of low-cost airlines to take to the skies in Europe, but usually these operate from secondary airports rather than at the hubs, such as Heathrow, which an airline needs if it is to compete in the big league.

U.S. watchdogs also are concerned to protect competition against predatory pricing by major carriers that dominate the key hub airports and the potential anti-competitive nature of the big alliances.

Complaints about high prices have poured in from business or "nondiscretionary" travelers. Average U.S. fares have come down 46 percent in real terms since deregulation, but by some estimates full fares have increased by as much as 70 percent on some routes where there is no competition.

Last year, according to American Express Travel Services, prices rose across the board by 9 percent — 11 percent for full fares and 8 percent for discount tickets.

Bills are pending before Congress that would give more landing slots to new airlines at busy airports. The Department of Transportation has proposed new guidelines on "unfair exclusionary conduct by airlines" that would come into

effect if the response by major carriers to competition by new entrants was considered not "reasonable." Unreasonable conduct would include such practices as temporarily adding seats and discounting fares to drive competitors out of business. In addition, the Department of Justice is investigating possible anti-trust violations by big airlines.

The proposed tie-up between American Airlines and British Airways has alarmed competing airlines in the United States, where an active anti-alliance lobby has emerged in Washington.

Experts on both sides of the Atlantic agree that the alliances give established airlines a powerful weapon to fend off attacks by potential competitors.

Contrary to predictions, deregulation on both sides of the Atlantic has led to less rather than more competition. The move toward concentration has been greatly accentuated by hub and spoke airline systems that place a premium on dominating a major airport.

Already, more than half the world's jet fleet is operated by just 17 airlines. And more than half of passengers fly on an airline belonging to one of four mega-alliances.

In short, global alliances are becoming an alternative to mergers in an industry that still is largely fragmented into national carriers and held back by government-to-government agreements.

In taking on the alliances, the commission is limited by the refusal of governments to give it a full international negotiating mandate, as it has no general trade matters. For example, the commission has been unable to prevent member countries from concluding "open skies" agreements with the United States, which Washington demands as the price of access to American airports.

Commission officials argue that the agreements make it possible for American carriers to extend their hub and spoke system to Europe, while keeping their domestic networks off-limits to European carriers.

Worse, the officials say, the open skies agreements stifle competition in Europe by stipulating that only certain airlines can fly on certain routes. For example, the bilateral agreement between Germany and the United States forecloses access to non-German or non-American carriers, making it impossible for other European carriers to compete on trans-Atlantic routes originating or terminating in Germany.

Mr. Van Miert's department is determined to challenge the open skies agreements in the European Court of Justice.

In deregulating the European air space, the commission has established a level playing field in theory. Certainly prices have come down and services have improved on many routes, and there is more choice of destinations. But as the Brussels-Vienna example shows, full-fare passengers in Europe as in the United States do not appear to reaping the full benefits of deregulation on routes where competition does not exist.

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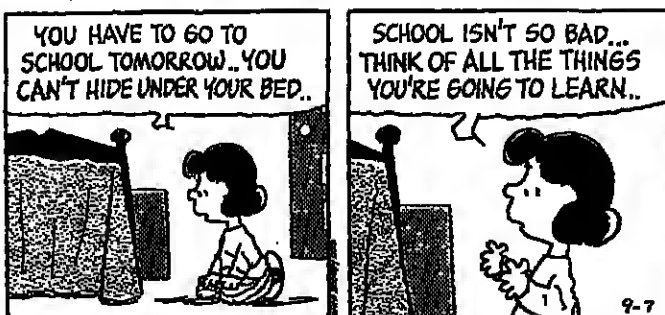
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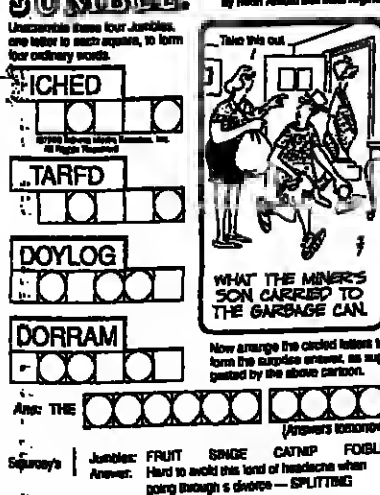
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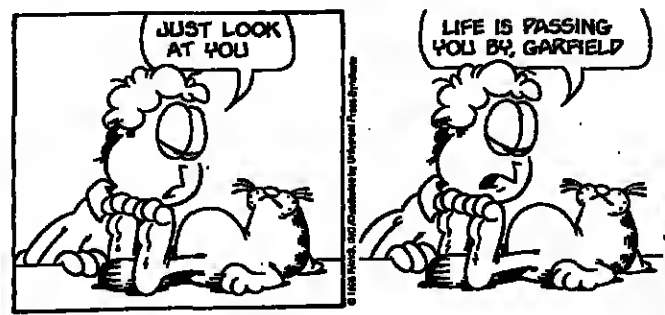
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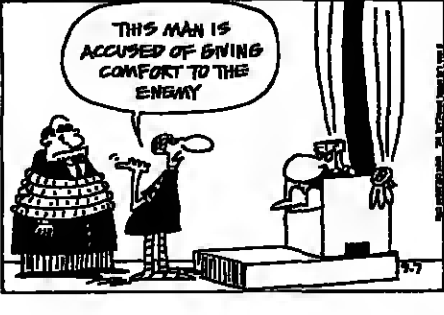
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H47M

SPORTS

McGwire Ties Ruth at 60, and Sosa Hits 58th

Cardinal 2 Shy Of Record With 21 Games to Go

By Richard Justice
Washington Post Service

ST. LOUIS — Continuing a fast and fierce assault on a record once believed to be untouchable, the St. Louis Cardinals slugger Mark McGwire used his 60th home run and match baseball's greatest slugger, Babe Ruth.

Only Roger Maris has had more home runs in a single season — 61 — than Ruth hit for the New York Yankees' Murderers' Row of 1927.

Ruth hit his 60th on the final day of the 154-game season. In 1961, Maris hit his 60th on Sept. 26, the 150th game of the 162-game season.

Now, with 21 games remaining, McGwire has reached the magical number of 60 — the goal of every power hitter for the last 71 years — quicker than either of them. He seems overwhelmed by comparisons to Ruth.

"Babe Ruth — what can you say?" McGwire said. "Geez, I mean it almost makes you speechless when people put your name alongside his name. I wish I can go back in time and meet him. I mean, obviously, he was the most important



Chasing the Record

Home run tally for two contenders to break the season record of 61 homers set in 1961 by Roger Maris (left).

MARK MCGWIRE

60 1-for-4 with one homer vs. Reds on Saturday

SAMMY SOSA

58 2-for-5 with one homer vs. Pirates on Saturday

Maris through 142 games left: 65

sports figure in the world of that time. Hopefully, someday when I pass away, I get to meet him and then I can really, truly find out what he was really like."

In the 129-year history of major league baseball, no one else had seriously challenged the Ruth-Maris record until McGwire hit 58 last season. Now, he seems destined to pass Ruth and Maris and set a new slugging standard.

With McGwire's 61st home run, Maris' wife and children decided to be in Busch Stadium for Sunday afternoon's game against the Cincinnati Reds. The Fox network announced Saturday that although Sunday was opening day for the National Football League, it would televise the game to 80 percent of its viewership. The other 20 percent would have to watch an NFL game and wait for updates.

McGwire's 60th home run kept him two ahead of the Chicago Cubs outfielder Sammy Sosa, who hit his 58th home run in Pittsburgh on Saturday night.

Their unprecedented home run chase has brought fans back to major league ballparks in record numbers. On Monday afternoon, the two got the best views in the park of each other as the Cubs and Cardinals began a two-game series in St. Louis.

"I want to enjoy it," McGwire said of the chase. "I don't know if I'll ever be in this position again."

The game balls the Cardinals now are using carry an infrared code so that if — when — McGwire launches one into the stands, Major League Baseball officials can verify it as the ball actually hit. Fans who caught the last few McGwire home runs have returned them to the slugger, but officials want to guard against fans bringing balls into the stadium and

then claiming their ball was the historic 60th, 61st or — especially — 62d.

In a strange coincidence, the baseball that McGwire hit out of the park Saturday carried the infrared code "3" — Ruth's number during a career in which he hit 714 home runs and changed the way people thought about a game that seemed to be dying in the early part of the 1920s in the wake of the Black Sox scandal for throwing the 1919 World Series.

No sooner had a crowd of 47,994 settled into their seats Saturday than McGwire took a pair of high fastballs from the Cincinnati Reds right-hander Dennis Reyes in the bottom of the first inning. But when Reyes threw a third fastball a few inches above the knee, McGwire swung viciously and hammered a towering fly ball into the left field seats.

McGwire has hit 13 home runs in his last 18 games. Saturday afternoon, he struck out in his final three at-bats as he tried to hit No. 61. While almost no one noticed, the Reds and Cardinals did play a game, and the Cardinals won, 7-0.

Fans had given McGwire a long, warm standing ovation as he came to bat in the first inning, and perhaps hoping to get a better view at every historic swing, they remained on their feet throughout the at-bat. After he crossed home plate and playfully traded punches with a teammate, Brian Jordan, he returned to the dugout, only to be summoned back to the field to acknowledge a roaring, happy audience.

"If I'd had the power, I'd have stopped the game," said Tony La Russa, the Cardinals manager. "I didn't want to wait a couple of hours to enjoy it. I've never ever felt that way before. I never wanted to stop a game. I just kept thinking, 'This is overwhelming.'"

The Stage Is Set For Showdown In St. Louis

The Associated Press

ST. LOUIS — The schedule says Cubs at Cardinals, but baseball fans everywhere know better. Make it Mark McGwire vs. Sammy Sosa, starting Monday afternoon.

"It's going to be unbelievable, you know," said the Cubs' Sosa, who hit his 58th home run of the season on Saturday against the Pirates in Pittsburgh.

"There's going to be a lot of people cheering for Mark McGwire and me. And, hey, we'll see how it goes."

Unless McGwire hit a home run late Sunday against the Reds to tie Roger Maris' legendary record of 61, the two-game Cubs-Cardinals series would start Monday with McGwire at 60 and Sosa at 58. Home run derby, for real. History on deck, the whole country watching them take aim at the Maris record.

Busch Stadium is sold out for the two games, though never have these old rivals created such a stir. In fact, it is hard to remember the last time any series attracted this kind of attention. It is so good what is going on right now for the game of baseball," McGwire said. "And if you want to say it has brought America together, it has."

Chicago is in the wild-card chase and St. Louis is out of contention. Yet the only standings most people care about are posted on the scoreboard in center field, just below the out-of-town NL games. That's where the current homer count for McGwire and Sosa is displayed.

"It's the most excitement we've had in baseball in a long time," the former Cardinals star Ozzie Smith said Sunday.

"The two guys going against each other and the entire country is interested," he added. "I'm a strong believer in manifest destiny, that some things are meant to be. Evidently, this was meant to be."

Judging by what happened the previous time McGwire and Sosa met, their totals might be changing soon.

On Aug. 19 at Wrigley Field, McGwire hit two home runs and Sosa hit one. Earlier in that month, they both connected in a game at St. Louis.

"I think we're motivated for each other a little bit," Sosa said. "I try to go up there and do my job and I come through, and I know he does, too. It's unbelievable."

In all, McGwire and Sosa have homered in the same game 20 times this season. And when they're apart, they try to catch each other on TV.

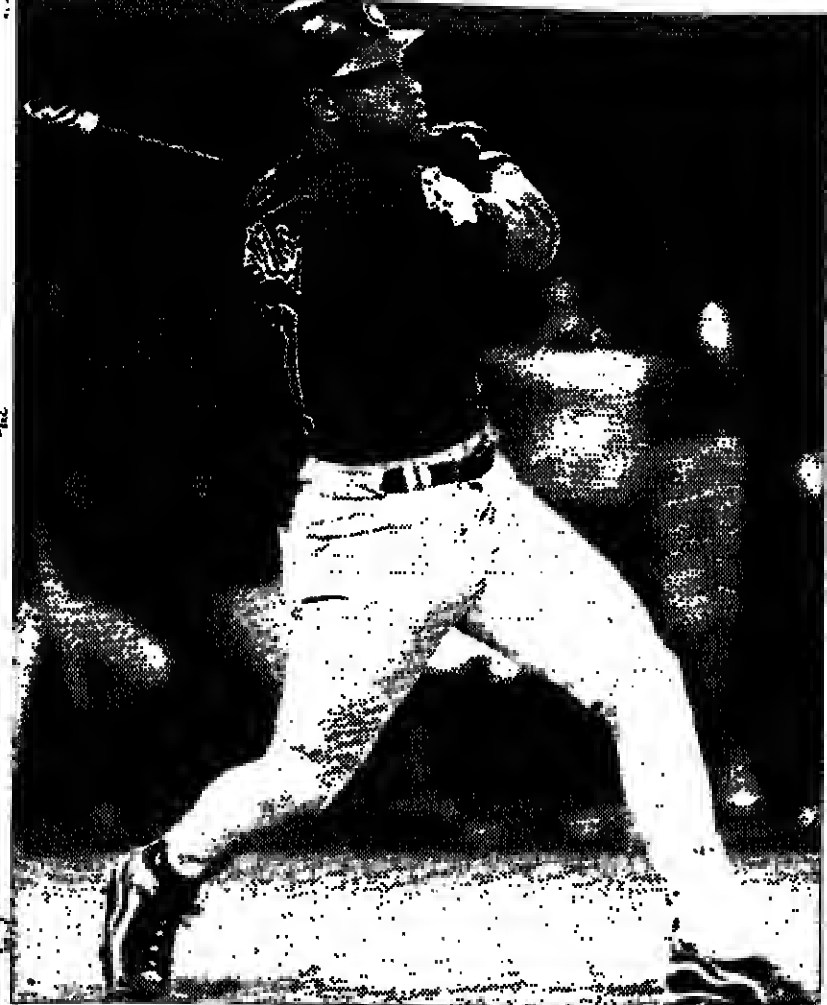
"I am a fan of the game as well as a player, and I absolutely enjoy watching him play," McGwire said. "He is having an absolutely magical year and, you know, I root him on just like anybody else."

McGwire and Sosa got to talk for a few moments before they played last month at Chicago. Following that friendly get-together, McGwire went on a tear and hit 13 home runs in 18 days.

"We don't, as players, have much time to spend with each other when teams come in or we are going there," McGwire said. "Basically, the only time I get to visit with him is when he is at first base."

And neither McGwire nor Sosa plans on stopping there starting Monday. On Saturday, Sosa hit his 58th home run in the sixth inning off a rookie pitcher, Scott Lawrence, who entered the game with only eight innings of big league experience. The Cubs won, 8-4.

Sosa hit his 57th on Friday night, also against the Pirates. Now Sosa holds the record for the most home runs in a season by a Latin player in the major leagues.



Sammy Sosa belting his 58th home run during a game in Pittsburgh.

Smoltz Shuts Out the Mets on 3 Hits

The Associated Press

John Smoltz pitched a three-hitter for his second shutout of the season and Marty Malloy homered in his major league debut, leading the Atlanta Braves over the New York Mets 4-0 on Sunday.

Andrew Jones, Ryan Klesko, Andres Galarraga and Malloy hit solo homers

BASEBALL ROUNDUP

for the Braves, who stopped a three-game losing streak.

Smoltz (14-3) struck out a season-high 12 and walked none, getting his third complete game of the season. He allowed three two-out singles and didn't let a runner past first.

There were 20 strikeouts in the game, 13 on called third strikes by plate umpire Larry Vanover.

Tigers 3, Indians 2 Damion Easley drove in the go-ahead run as Detroit overcame a career-high 10 strikeouts from Jamie Wright to beat Cleveland and avoid a four-game sweep.

Mariners 6, Expos 2 Kirt Ojala won for the first time in 10 starts this season, and Florida stopped a 10-game home losing streak by beating Montreal Expos.

In games played Saturday:

Angels 2, Royals 1 Jack McDowell scattered six hits in 6 1/2 innings as Anaheim beat Kansas City, 2-1, at home to open a 2 1/2-game lead in the American League West.

Blue Jays 4, Red Sox 3 In Toronto, Roger Clemens (18-6) allowed three hits in eight innings to stay unbeaten since May 29 and lead the Blue Jays to their ninth straight victory.

Athletics 3, Devil Rays 0 In Oakland, California, Kenny Rogers (13-7) scattered nine hits for his fifth career shutout. He pitched six strikeouts, including four to Fred McGriff.

Twins 7, Rangers 4 Terry Steinbach hit a go-ahead, two-run double in the eighth off John Weteland as visiting Minnesota overcame Juan Gonzalez's 40th homer.

White Sox 5, Yankees 5 In Chicago, Jim Abbott got a victory in his return to the major leagues, and Craig Wilson homered and doubled twice in the 28-

year-old's big league debut.

Indians 5, Tigers 4 In Detroit, Omar Vizquel homered for the first time since Sept. 15 as Cleveland beat Detroit for the ninth time in 11 games this season.

Mariners 6, Orioles 5 Ken Griffey Jr. hit his AL-leading 48th homer, a go-ahead, three-run shot in the eighth that led Seattle over visiting Baltimore.

In the National League:

Mets 5, Braves 4 In New York, Tony Phillips made up for a sixth inning in which he allowed a double and then hit a bases-loaded flyout by hitting a two-run homer in the eighth off Rudy Seanez (4-1) that overcame a 4-3 deficit.

Padres 4, Rockies 2 In Denver, Kevin Brown (18-5) became the first San Diego

pitcher to win 18 games since 1985.

Dodgers 6, Giants 3 In Los Angeles, Chan Ho Park (12-7) pitched a four-hitter to win for the second time in seven starts, giving Los Angeles its first four-game winning streak of the season.

Astros 6, Diamondbacks 5 Jeff Bagwell reached 30 homers for the fourth time and Ricky Gutierrez drove in the go-ahead run in the 12th inning.

Expos 7, Marlins 1 In Miami, Wilton Guerrero hit a two-run triple off Rafael Medina (1-3), and brother Vladimir added an RBI triple.

Brewers 3, Phillies 2 In Milwaukee, Jose Valentin guided home the winning run as the Brewers rallied for two runs in the 14th inning.

Renewed Notre Dame Routs Over Michigan, 36-20

The Associated Press

Notre Dame took a little more than a half before showing Michigan and its critics that 1997 and its long off-season are history.

Notre Dame scored on its first five possessions of the second half, overcoming a sluggish first half to beat defending national champion Michigan, 36-20, on Saturday.

The season-opening victory was a shocking turnaround from a 1997 season in which Michigan won its first national title in 49 years and Notre Dame lost six games for the first time since 1986.

Jarvis Jackson threw two touchdown passes in his first start, and Aubrey Denson carried 24 times for a career-best 162 yards and two TDs as the 22nd-ranked Irish snapped No. 5 Michigan's 12-game winning streak.

"We can compete against anyone in the country," said Jackson, who passed for 96 yards and ran for another 62 in Notre Dame's new option attack. "You never know who's going to be the national champion this year."

Tom Brady, in his first start for Michigan, was 23 of 36 for 267 yards. The rest of the Wolverines looked any-

thing like champions, missing four of six field goal attempts and losing two fumbles.

No. 1 Ohio State 34, No. 11 West Virginia 17 Ohio State started its run for the title with an impressive victory in Morgantown, West Virginia. Joe Germaine passed for 301 yards and two touchdowns

and Michael Wiley ran for 140 yards and another score for the Buckeyes.

Germaine completed 18 of 32 passes without an interception and Wiley upstaged Aaron Zerbe with 140 yards in 17 carries. Zerbe, 10th in the Heisman Trophy balloting last season, gained 77 yards on 20 attempts.

No. 3 Florida 49, Citadel 10 In Gainesville, Florida, Jesse Palmer threw for 301 yards and four touchdowns and Terry Jackson ran for 127 yards and two scores to lead Florida.

No. 4 Nebraska 38, Alabama-Birmingham 7 In Lincoln, Nebraska, Eric Crouch, making his first college start, ran for two touchdowns and passed for another to lead Nebraska. Playing for the injured Bobby Newcombe, Crouch completed 11 of 17 for 127 yards and the

TD. He also ran seven times for 69 yards for Nebraska (2-0).

No. 6 Kansas State 66, Indiana State 0

In Manhattan, Kansas, Michael Bishop ran for two touchdowns and threw for a third and the kicking teams scored twice as Kansas State came within one point of the school record. The final score was one point shy of the record 67-0 shutout of Akron in 1995.

No. 10 Tennessee 34, No. 17 Syracuse 33 In Syracuse, New York, Jeff Hall kicked a 27-yard field goal as time expired to give Tennessee a stunning victory in the first game of the post-Peyton Manning era.

Miami of Ohio 13, No. 12 North Carolina 10 In Chapel Hill, North Carolina, John Scott kicked a 37-yard field goal with one second left and Travis Prentice ran for 162 yards as Miami of Ohio ruined Carl Torbush's regular-season coaching debut.

No. 13 Penn State 34, No. 21 Southern Mississippi 6 At State College, Pennsylvania, Cordell Mitchell ran for a career-high 99 yards in his first start and Penn State's defense held Southern Mississippi to 9 yards rushing.

Denver 42, No. 15 Colorado State 14 In Denver, Mike Moschetti threw three

touchdown passes and Cedric Cormier returned a punt 82 yards for another score at Mile High Stadium.

No. 18 Washington 42, No. 8 Arizona State 38 In Tempe, Arizona, Washington's Brock Huard connected with Reggie Davis on a 67-yard touchdown play on fourth-and-17 with 28 seconds to play.

No. 19 Georgia 56, Kent 3 In Athens, Georgia, Quincy Carter, the first freshman quarterback to start a season opener for Georgia, threw for 235 yards and three touchdowns. Olandis Gary and Robert Arnaud each added two rushing TDs for the Bulldogs, who piled up 566 yards.

No. 20 Wisconsin 26, San Diego State 14 In San Diego, Mike Samuel scored the go-ahead touchdown on a 47-yard quarterback draw early in the fourth quarter and Wisconsin, playing without tailback Ron Dayne, rallied to win its opener.

Oregon 48, No. 23 Michigan State 14 In Eugene, Oregon, Akili Smith threw four touchdowns passes, and Reuben Droughns rushed for 202 yards and scored three TDs as Oregon won its opener. Smith completed 15 of 25 passes for 266 yards against Michigan State (0-2).

SCOREBOARD

BASEBALL

MAJOR LEAGUE STANDINGS

AMERICAN LEAGUE

EAST DIVISION

W L Pct. GB

New York 100 59 .579 19 1/2

Boston 76 64 .539 25 1/2

Toronto 70 71 .496 31

Baltimore 62 79 .440 39

Tampa Bay 52 89 .364 49

CENTRAL DIVISION

W L Pct. GB

Cleveland 67 62 .519 1 1/2

Chicago 65 64 .508 3 1/2

Kansas City 65 64 .508 3 1/2

Minnesota 63 78 .446 15 1/2

Detroit 52 89 .364 49

WEST DIVISION

W L Pct. GB

Seattle 78 64 .549 1 1/2

Astoria 75 65 .534 2 1/2

Oakland 77 65 .539 2 1/2

San Francisco 75 65 .534 2 1/2

Los Angeles 64 76 .457 13

San Diego 64 76 .457 13

San Francisco 75 65 .534 2 1/2

Oakland 77 65 .539 2 1/2

San Francisco 75 65 .534 2 1/2

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San Francisco 75 65 .534 2 1/2

Oakland 77 65 .539 2 1/2

NATIONAL LEAGUE

EAST DIVISION

W L Pct. GB

Atlanta 91 51 .641 1 1/2

New York 79 62 .514 13 1/2

Philadelphia 75 67 .524 17 1/2

Montreal 65 78 .450 28 1/2

Pittsburgh 55 88 .384 38 1/2

CENTRAL DIVISION

W L Pct. GB

St. Louis 90 60 .600 0

Chicago 88 62 .588 2

Cincinnati 79 63 .557 11

San Francisco 75 65 .534 17 1/2

Los Angeles 64 76 .457 28 1/2

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Oakland 77 65 .539 2 1/2

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